

**2020**  
The Thirtyfirst  
**Annual Report**



**AHMAD HASSAN**  
**TEXTILE MILLS LIMITED**



*31<sup>st</sup> Annual Report*

*of*

**Ahmad Hassan Textile Mills Limited**

*for the year ended June 30, 2020*

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## CONTENTS

|                                   |    |
|-----------------------------------|----|
| VISION STATEMENT                  | 3  |
| COMPANY INFORMATION               | 4  |
| NOTICE OF ANNUAL GENERAL MEETING  | 5  |
| CHAIRMAN'S REVIEW                 | 8  |
| DIRECTORS' REPORT                 | 9  |
| DIRECTORS' REPORT (URDU)          | 14 |
| SIX YEARS GROWTH AT GLANCE        | 19 |
| CODE OF CORPORATE GOVERNANCE      |    |
| - STATEMENT OF COMPLIANCE         | 20 |
| - REVIEW REPORT                   | 23 |
| INDEPENDENT AUDITORS' REPORT      | 24 |
| STATEMENT OF FINANCIAL POSITION   | 30 |
| STATEMENT OF PROFIT OR LOSS       | 31 |
| STATEMENT OF COMPREHENSIVE INCOME | 32 |
| STATEMENT OF CHANGES IN EQUITY    | 33 |
| STATEMENT OF CASH FLOW            | 34 |
| NOTES TO THE FINANCIAL STATEMENTS | 35 |
| PATTERN OF SHAREHOLDING           | 81 |
| CATEGORIES DETAIL                 | 82 |
| JAMA PONJI                        | 83 |
| FORM OF PROXY                     | 85 |
| ELECTRONIC MANDATE FORM           | 87 |



## **VISION**

To be a world class and leading organization continuously providing high quality textile products.

## **MISSION**

To be a model diversified textile organization exceeding expectations of all stakeholders. We will achieve this by utilizing best blend of state-of-the-art technologies, excellent business processes, high performing people, and synergetic organizational culture.

## **CORE VALUES**

Our success will not be a matter of chance but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

**Integrity & Ethics:** Integrity, honesty and high ethical, legal & safe standards are corner stones of our business practices.

**Quality:** We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence. Our aim is to achieve and sustain good reputation in both domestic and international market by manufacturing quality yarn / fabric with organized training and implementation of quality system as per our valued customers needs to ensure the achievement of our aim.

**Social Responsibility:** We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our action.

**Learning & Innovations:** We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.

**Team Work:** We believe that competent and satisfied people are the company's heart, muscle and soul. We savors flashes of genius in organization's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.

**Empowerment :** We flourish under and ecosystem of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.

## **STRATEGIC PLAN**

To achieve the above objectives, the Company has made strategic plans to enhance and upgrade its installed capacity to maintain and expand its market. Further plans are to excel in social responsibilities by implementing related projects and community developments.



## **COMPANY PROFILE**

### **BOARD OF DIRECTORS**

*Chairman*  
*Chief Executive*  
*Directors*

|  |                        |
|--|------------------------|
| Mian Muhammad Javed Anwar                | Non-Executive Director |
| Mr. Muhammad Aurangzeb                   | Executive Director     |
| Mr. Muhammad Haris                       | Executive Director     |
| Mr. Muhammad Jahanzaib                   | Executive Director     |
| Mrs. Salma Javed                         | Non-Executive Director |
| Mrs. Waheeda Parvaiz                     | Non-Executive Director |
| Mr. Syed Raza Abbas Jaffari (Rep. N.I.T) | Non-Executive Director |
| Mr Nazir Ahmad Khan                      | Independent Director   |

### **AUDIT COMMITTEE**

*Chairman*  
*Members*

|                           |                        |
|---------------------------|------------------------|
| Mr Nazir Ahmad Khan       | Independent Director   |
| Mian Muhammad Javed Anwar | Non-Executive Director |
| Mrs. Waheeda Parvaiz      | Non-Executive Director |

### **HR & R COMMITTEE**

*Chairman*  
*Members*

|                      |                        |
|----------------------|------------------------|
| Mr Nazir Ahmad Khan  | Independent Director   |
| Mr. Muhammad Haris   | Executive Director     |
| Mrs. Waheeda Parvaiz | Non-Executive Director |

### **CHIEF FINANCIAL OFFICER**

Sh. Muhammad Naeem

### **HEAD OF INTERNAL AUDIT**

Rao Saqib Ali

### **COMPANY SECRETARY**

Muhammad Nafees Ahmad Rahi

### **AUDITORS**

M/s PKF F.R.A.N.T.S  
Chartered Accountants

### **BANKERS**

Bank Al-Habib Limited  
Allied Bank Limited  
United Bank Limited  
Bank Al-Falah Limited  
Habib Bank Limited  
Soneri Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan

### **REGISTERED OFFICE**

46 - Hassan Parwana Colony,  
Multan.

### **MILLS**

M.M. Road, Chowk Sarwar Shaheed,  
Distt. Muzaffargarh.

### **SHARES REGISTRAR**

M/s Vision Consulting Limited  
3-C, LDA Flats, Lawarnce Road,  
Lahore.



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Company will be held at its Registered Office, 46-Hassan Parwana Colony, Multan, on Wednesday 28<sup>th</sup> October, 2020, at 11:00 A.M., to transact the following business.

### **Ordinary Business**

1. To confirm the minutes of the Extraordinary General Meeting held on 30<sup>th</sup> November, 2019.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended June 30, 2020.
3. To appoint Auditors of the Company for the financial year 2020-2021 and to fix their remuneration. The present Auditors Messrs. PKF F.R.A.N.T.S, Chartered Accountants, retire and being eligible offered themselves for re-appointment.
4. To approve a final cash dividend for the year ended June 30, 2020 at Rs.1.50/- per share (15%), as recommended by the Board.
5. To elect Eight (8) Directors of the Company as fixed by the Board, in accordance with the provision of Section 159 of the Companies Act 2017, for a term of three years. The retiring Directors are:

- |                                   |                             |
|-----------------------------------|-----------------------------|
| (i) Mian Muhammad Javed Anwar     | (ii) Mr. Muhammad Aurangzeb |
| (iii) Mrs. Salma Javed            | (iv) Mr. Muhammad Haris     |
| (v) Mrs. Waheeda Parvaiz          | (vi) Mr. Muhammad Jahanzaib |
| (vii) Mr. Syed Raza Abbas Jaffari | (viii) Mr. Nazir Ahmad Khan |

### **Other Business**

6. To consider any other matter with the permission of the Chairman.

BY ORDER OF THE BOARD OF DIRECTORS  
Sd/-

Multan:  
Dated : 26.09.2020

(Muhammad Nafees Ahmad Rahi)  
Company Secretary

### **Notes:**

1. The Share Transfer Books of the Company will remain closed from 21<sup>st</sup> October, 2020 to 28<sup>th</sup> October, 2020 (both days inclusive).



- II. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the meeting.
- III. Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- IV. Members are requested to notify the change of their address to our Share Registrar, M/s Vision Consulting Limited, immediately.
- V. The Members, who desire for receiving the annual audited financial statements and AGM Notice through email, are requested to send their written consent on Standard Request Form available on website [www.ahtml.com.pk](http://www.ahtml.com.pk) in order to avail this facility. The audited financial statements for the year ended June 30, 2020 are available on website of the Company. Further, the Company has sent its Annual Reports 2020 through CD/DVD/USB to the shareholders at their available addresses instead of hard copy. However, hard copy of Annual Report will be provided free of cost on written request of the shareholder.
- VI. Pursuant to requirement of Section 244 of the Companies Act, 2017, shareholders who could not collect their cash dividend/physical shares, are advised to contact at the registered office of the Company to collect/enquire about their unclaimed dividend or physical shares, if any.
- VII. In term of SECP's Circular No. 10 of 2014 dated May 21, 2014 read with provisions contained under Section 134 (1)(b) of the Act, members of the company may also attend and participate in the AGM through video conference facility in a city other than Multan, if members residing in the vicinity, collectively holding 10% or more shareholding, may demand in writing, to participate in the AGM through video conference (as per the format appended below) at least seven (7) days prior to the date of AGM.

After receiving the consent of members having 10% or more shareholding in aggregate, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of AGM.

Consent for Video Conference Facility

I/we , \_\_\_\_\_ of \_\_\_\_\_, being a member of Ahmad Hassan Textile Mills Limited, holders of \_\_\_\_\_ ordinary share(s) as per CDC participant ID & sub -account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of the Member(s)  
(affix company stamp in case of corporate entity)

- VIII. Pursuant to Section 242 of the Companies Act, 2017, all listed companies have been mandated to pay dividend only by way of electronic mode, directly into the bank accounts to entitled members designated by them. Accordingly, all shareholders of the Company who have not



Yet provided their bank account details (including IBAN) to their participant/CDC Investor Account Service which maintains their CDC Account, are requested to provide the same at the earliest but not later than the first day of book closure, otherwise, the Company would be constrained to withhold their amount of dividend, if any, in accordance with the requirements of the Act and the Regulation.

IX. With reference to precautions to be taken against of COVID-19 and in accordance with Circular No. 5 of 2020 dated March 17, 2020 the company informs its shareholders as follows:

The Shareholders who are interested to attend the AGM through Video Conferencing are

- hereby requested to get themselves registered with the Company Secretary office by providing the following details but not later than 72 hours before the time of AGM through following means:
  - o Mobile/WhatsApp: 0300-7196690
  - o Email: sec@ahhtml.com.pk

The shareholders can also provide their comments/suggestions for the proposed agenda

- items of the AGM by using the aforesaid means.

X. Pursuant to the provisions of Income Tax Ordinance, 2001, deduction of income Tax from dividend payment shall be made on basis of filer and non-filers.

|                                     |       |
|-------------------------------------|-------|
| For Filer of Income Tax Returns     | = 15% |
| For Non-Filer of Income Tax Returns | = 30% |

XI. Any Member who seeks to contest the election of directors shall, whether he/she is a retiring director or otherwise, file with the company, the following documents at its registered office not later than fourteen (14) days before the date of the above said meeting:

- a. His/her Folio No./CDC Account No.CDC Sub-Account No.
- b. Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 159(3) of the Companies Act, 2017 together with his/her consent to act as Director.
- c. Attested valid CNIC and NTN.
- d. Detailed profile alongwith mailing address for placement on Company's website.
- e. Declarations in respect of being complaint with the requirements of the Listed Companies Code of Corporate Governance Regulations, 2019 and the eligibility criteria as set out the Companies Act, 2017.

#### **STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017**

Persons eligible under Section 153 meet the criteria under section 166 of the Companies Act, 2017 may submit their nomination as independent directors. However, it is noteworthy to mention that independent directors shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.



## Chairman's Review

In the Name of Allah, the Most Beneficent, the Merciful

Dear Shareholders

I wish to begin firstly by extending my deepest courtesies to those state and private sector institutions which have led the fight in combating the threat that the Coronavirus outbreak continues to pose towards the nation at large. The Coronavirus pandemic has spared almost no industry and its effects will be noticeable for months and perhaps years to come. Economic activity, and in particular Large-Scale Manufacturing (LSM), had been in decline. The outbreak of the pandemic has unfortunately only added to the set of challenges. However, I am confident that our resolve and ability to adapt to change will ultimately restore normalcy to a great extent in the coming year. I also commend the perseverance and dedication of our management team and employees who continue to perform despite of economic hardship.

High interest rates, inability to fully pass on the cumulative increase in energy and imported raw material costs due to PKR depreciating in the preceding year were the primary limiting factors for the manufacturing industry during the first half of the year. The second half the year was dominated by lockdowns, first in China and South-East Asia, and later in the rest of the world, which resulted in a historic decline in sales across the board.

In such a challenging situation, the Board was introduced to the management and taken through the workings of the Company. The Board has performed its duties and responsibilities diligently and has contributed effectively in guiding the Company in its strategic affairs. The Board also played a key role in monitoring management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company. The Board recognises that well-defined Corporate Governance processes are vital to enhancing corporate accountability and are committed to ensuring high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed to the decision-making process of the Board. As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensure that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that the management continues to make decisions that create value for you in the short, medium and long term. For maximizing the return of the shareholders, I am pleased to inform you that Board has decided to give final dividend of Rs.1.5 per share.

The demerger of company by separating Spinning and Weaving segments is under process.

On behalf of Board of Directors, I would like to express my special admiration to all shareholders, Banks, committee members and staff for their commitment and deep devotion.

Multan

Dated : September 26,2020

Mian Muhammad Javed Anwar  
Chairman

## Directors' Report

In the Name of Allah, the Most Beneficent, the Merciful

### Dear Shareholders

Yours Directors are pleased to share with you and update on your company's performance for 2019-20, for the year ended June 30, 2020. The 31th Annual Report is in your hands together with the Directors Report and Auditors Report thereon;

### SUMMARIZED FINANCIAL RESULTS:

|                       | <b>2020</b>          | <b>2019</b>     |
|-----------------------|----------------------|-----------------|
|                       | <b>(Rupees)</b>      | <b>(Rupees)</b> |
| Sales-Net             | <b>7,351,414,537</b> | 7,273,993,808   |
| Gross Profit          | <b>538,996,652</b>   | 459,736,532     |
| Profit After Taxation | <b>121,030,807</b>   | 40,955,567      |
| G.P Ratio             | <b>7.33%</b>         | 6.32%           |
| Earnings Per Share    | <b>8.40</b>          | 2.84            |

### REVIEW OF OPERATIONS:

The year started with impressive growth while reaching in the month of March 2020, calamity Covid-19, affected the production and Sales of the company. With Coronavirus infection rates in decline at the time of writing this report, we are hopeful that despite the tough conditions the government will continue to pursue sustainable policies. The financial year 2019-20 was a highly challenging year for the Company. Low economic growth of the country, volatile foreign currency rates, stiff global competition and expensive raw material remained hurdle to re-enter in foreign market and earn better profit margin throughout the financial year. Due to COVID-19, company suffered production loss. However, Government of Pakistan with the help of State Bank of Pakistan (SBP) and Pakistan Banking Association (PBA) incentivized industry for smooth operation by deferring long term loans for one year. In spite of all the adverse factors, your directors of the Company very much succeeded to grab the further local market share. As a result, GP ratio increased to 7.33% and profit after tax remained of Rs 121.031 million which was Rs 80.08 million greater than previous financial year.

Our sales were increased by 1.06% and cost of sales decreased by 0.03%. Therefore, our gross profit margin increased to 7.33%. Distribution cost decreased by 24.48 % due to decreased in direct export sale. Our admin expenses were increased by 1.10%, while finance cost increased by 10.04% due to rising trend of KIBOR as compared to the last year ended June 30, 2019. An overview of key operating performance and other data for last six years is annexed to the annual report.

**BOARD COMPOSITION:**

The total number of directors are eight (8) as per the following;

- a. Male: Six
- b. Female: Two

- i. Independent Directors                      Mr. Nazir Ahmad Khan
- ii. Non-executive Directors                      Mian Muhammad Javed Anwar  
Mrs. Salma Javed  
Mrs. Waheeda Parvaiz  
Mr. Syed Raza Abbas Jafferi (Rep. N.I.T)
- iii. Executive Directors                              Mr. Muhammad Haris  
Mr. Muhammad Aurangzeb  
Mr. Muhammad Jahanzaib

**1. AUDIT COMMITTEE**

- Mr. Nazir Ahmad Khan (Chairman)
- Mian Muhammad Javed Anwar (member)
- Mrs. Waheeda Parvaiz (member)

**2. HR & R COMMITTEE:**

- Mr. Nazir Ahmad Khan (Chairman)
- Mr. Muhammad Haris (member)
- Mrs. Waheeda Parvaiz (member)

**REMUNERATION OF THE DIRECTORS**

The non-executive directors and independent director are paid remuneration for only attending the Board/Committee meetings, as per approved policy. The relevant details are disclosed in notes 44 to the financial statements for the year ended June 30, 2020.

**NAME OF BOARD OF DIRECTORS/COMMITTEE, MEETINGS AND ATTENDANCE**

| Name of Board of Directors             | Board meeting | Audit Committee meeting | HR & R Committee meeting |
|--|---------------|-------------------------|--------------------------|
|  | 5             | 5                       | 2                        |
| Mian Muhammad Javed Anwar              | 5             | 5                       | -                        |
| Mr. Muhammad Haris                     | 5             | -                       | 2                        |
| Mrs. Salma Javed                       | 5             | -                       | -                        |
| Mr. Muhammad Aurangzeb                 | 5             | -                       | -                        |
| Mr. Muhammad Jahanzaib                 | 5             | -                       | -                        |
| Mrs. Waheeda Parvaiz                   | 5             | 5                       | 2                        |
| Mr. Nazir Ahmad Khan                   | 5             | 5                       | 2                        |
| Mr. Raza Abbas Jaffari (Nominee N.I.T) | 5             | -                       | -                        |



### **DIRECTORS TRAINING PROGRAM**

Three directors of the Company are exempted from the Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. One director has obtained the certificate after successfully completion of director training program.

### **INTERNAL CONTROL SYSTEM**

An internal control system is designed to provide reasonable assurance that the Company ensures compliance of policies, laws, efficient use of its resources and to provide information to right persons on timely manner. Your management is much focused to comply with all applicable standards and regulations and such compliance are regularly monitored. Further, any non-compliance is timely reported and corrections are made when requires.

### **CORPORATE SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL CARE**

AHTML believes that safe, healthy and comfortable environmental conditions are backbone for quality production. We are also committed to Corporate Social Responsibilities and integrating sound social practices in our day to day business activities. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we have.

Therefore, As a traditional norm, we are continuously providing quality food to our staff at subsidize rates, free medical camps are organized for employees and native populations, Scholarships are provided to talented children of the staff and special events are organized like sports tournaments, aftari and tree plantation campaign etc. for the betterment of the staff and nation as well.

### **FUTURE OUTLOOK**

We are entering the new fiscal year at a time when all major economies have been brought to a standstill. The impact has been very fast and widespread, and the next few months will be very difficult for everyone, individuals and organizations. On the other hand, the economic downturn is not due to any structural problem in any industry, but due to an externality that has hit the pause button on all economic activity. Whenever that externality is removed, an equally quick recovery should follow. The current government commitments about decrease in energy prices, devaluation of Pak rupees and timely releasing the sales tax refunds will definitely turn around the situation. Government of Pakistan should issue relief to textile industry in levy of GIDC. Due to COVID-19, textile industry already facing others problem of GIDC also make a negative impact on textile industry feel fear cash flow shortage if recovery of GIDC continue with previous rate. We are still anxiously waiting for implementation of textile package including Gas rate of \$6.5/MMBTU, as approved by Economic Coordination Committee (ECC). We hope that with the passage of time, the combination of directors' experience and mature decisions of the government for industry revival will help to increase the earnings of the Company and shareholders' wealth as well.

The Directors of the Company, in their meetings held on November 07, 2019, approved with majority the Scheme of Compromises, Arrangements and Reconstruction (the Scheme) under the Companies Act, 2017 among the Company and its members, which was later on approved by the 93.67% majority of members of the Company in the Extra Ordinary General Meeting dated November 30, 2019. The Company filed application in the Honorable Lahore High Court (the Court) on December 11, 2019 to obtain sanction of, and for other orders facilitating the implementation of the Scheme. The principal object of the Scheme is to provide for the division of the Company as follows:



1. The spinning business segment represented by a group of shareholders will be separated from the Company and all its assets and liabilities will be transferred to M/S Ahmad Hassan Spinning Limited (a public un-listed company). Moreover, the ginning operations, presently being operated on lease, will also be transferred along with the spinning business segment;
  2. The shareholders representing the spinning business segment will surrender their shares to the Company which shall be cancelled by order of the Court; and
  3. The remaining shareholders representing the weaving business segment, along with the minority shareholders, shall continue the weaving business in the present form of the listed company.
- Till the date of authorization for issue of financial statements, the order of the Court sanctioning the Scheme is awaited.

### **CORPORATE GOVERNANCE**

The directors of your company state further that:

- 1- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cashflows and changes in equity.
- 2- Proper books of account of the listed company have been maintained.
- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no significant doubts upon the listed company's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8- Outstanding duties and taxes, if any, have been disclosed in the financial statements.
- 9- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director.
- 10- The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- 11- The Company's Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 is attached.

### **AUDITORS**

M/s PKF F.R.A.N.T.S. Chartered Accountants, being eligible and offering themselves for re-appointment, are recommended for re-appointment as Auditors of the Company for a term of one year as suggested by the Audit Committee.



## **PATTERN OF SHAREHOLDING**

Pattern of holding of shares by the shareholders of the Company as on June 30, 2020 is enclosed.

## **DIVIDEND**

In view of the financial performance of the Company. The Board of Directors recommended to pay final dividend of Rs 1.5 per share for the financial year ended June 30, 2020.

## **ACKNOWLEDGMENT**

Your Directors place on record their deep appreciation for the efforts made by the workers and staff of the Company for their deep devotion to their work. Your Directors would also like to express their thanks to the Shareholders and Financial Institutions, specially Bank Al Habib Ltd, National Bank, Soneri Bank Ltd, Allied Bank Ltd, Bank Al Falah Ltd, Meezan Bank, Habib Bank and United Bank Ltd for their support and assistance.

On behalf of the Board of Directors

Chief executive

Director

Multan

Dated: September 26, 2020

## ڈائریکٹرز کی جائزہ رپورٹ

اللہ کے نام سے شروع جو بڑا مہربان اور نہایت رحم کرنے والا ہے

محترم حصہ داران!

ہم ڈائریکٹران بخوشی آپ کے سامنے مورخہ 30 جون 2020ء تک مکمل ہونے والے سال کے مالیاتی نتائج کی 31 ویں سالانہ رپورٹ، ڈائریکٹرز کی رپورٹ اور آڈیٹرز کی رپورٹ کے ساتھ حاضر ہیں۔

| مالیاتی نتائج کا خلاصہ | 2020ء         | 2019ء         |
|------------------------|---------------|---------------|
| کل رقم فروختگی         | 7,351,414,537 | 7,273,993,808 |
| کل منافع               | 538,996,652   | 459,736,532   |
| منافع بعد از ٹیکس      | 121,030,807   | 40,955,567    |
| شرح منافع              | 7.33%         | 6.32%         |
| فی حصص آمدنی           | 8.40          | 2.84          |

### کاروباری امور کا جائزہ

سال کی ابتداء متاثر کن شرح نمو کے ساتھ ہوئی لیکن ماہ مارچ 2020 تک پہنچنے پر کوویڈ-19 کی آفت نے کمپنی کی پیداوار اور فروخت کو شدید متاثر کیا۔ اگرچہ اب جب کہ ہم یہ رپورٹ تحریر کر رہے ہیں کرونا وائرس کی وبا میں کافی حد تک کمی آچکی ہے، ہم امید کرتے ہیں کہ سخت حالات کے باوجود حکومت کی جانب سے پائیدار حکمت عملی جاری رکھی جائے گی۔ مالی سال 2019-20 کمپنی کے لیے ایک کٹھن سال ثابت ہوا۔ ملکی شرح نمو میں کمی، کرنسی ریٹ میں عدم استحکام، شدید بین الاقوامی مقابلہ اور بیش قیمت خام مال کی وجہ سے بین الاقوامی مارکیٹ میں دوبارہ شمولیت اور بہتر منافع کمانے میں شدید دشواری کا سامنا کرنا پڑا۔ دوران کوویڈ-19 کمپنی کو پیداواری نقصان کا سامنا کرنا پڑا۔ تاہم حکومت پاکستان نے اسٹیٹ بینک آف پاکستان اور پاکستان بینکنگ ایسوسی ایشن کی مدد سے انڈسٹریز کو کاروباری عدم استحکام سے بچانے کے لیے قرضوں کی ادائیگی میں ایک سال تک کی رعایت دی۔ تمام منفی حالات کے باوجود، آپ کے ڈائریکٹرز کو کاروباری عدم استحکام سے بچانے کے لیے قرضوں کا میاب رہے۔ جسکے نتیجے میں کل منافع کی شرح میں 7.33 فیصد تک اضافہ ہوا اور ٹیکس کی ادائیگی کے بعد منافع 121.031 ملین رہا جو کہ پچھلے سال سے 80.07 ملین زیادہ ہے۔

ہماری فروخت میں 1.06 فیصد اضافہ ہوا جبکہ پیداواری لاگت میں 0.03 فیصد کمی ہوئی۔ جسکی وجہ سے ہمارے منافع کی شرح 7.33 فیصد تک بڑھی۔ ڈسٹری بیوشن کی لاگت میں براہ راست برآمدگی فروخت کی بدولت 24.48 فیصد تک کمی ہوئی۔ ہمارے ایڈمنسٹریٹو اخراجات میں 1.10 فیصد اضافہ ہوا جبکہ مالیاتی اخراجات میں 10.04 فیصد تک اضافہ ہوا جو کہ پچھلے سال جو 30 جون 2019 کو ختم ہوا، کے مقابلے میں اس سال KIBOR کی شرح میں اضافے کی وجہ سے ہوا۔ پچھلے چھ سال کی کاروباری کارکردگی کا ایک جائزہ و دیگر ڈیٹا بھی اس رپورٹ کے ساتھ منسلک کیا گیا ہے۔

## بورڈ کی ساخت

مندرجہ ذیل کے مطابق ڈائریکٹرز کی تعداد (8) ہے۔

میل: چھ

فی میل: دو

آزاد ڈائریکٹر: مسٹر نذیر احمد خان

نان ایگزیکٹو ڈائریکٹر: میاں محمد جاوید انور

مسماة سلمیٰ جاوید

مسماة وحیدہ پرویز

مسٹر سید رضا عباس جعفری (نامزد شدہ NIT)

ایگزیکٹو ڈائریکٹرز: مسٹر محمد حارث

مسٹر محمد اورنگزیب

مسٹر محمد جہانزیب

1- آڈٹ کمیٹی

• مسٹر نذیر احمد خان (چیرمین)

• میاں جاوید انور (ممبر)

• مسماة وحیدہ پرویز (ممبر)

2- ہیومن ریسورس اینڈ ریویژن کمیٹی

• مسٹر نذیر احمد خان (چیرمین)

• مسٹر محمد حارث (ممبر)

• مسماة وحیدہ پرویز (ممبر)

## ڈائریکٹرز کا معاوضہ

نان ایگزیکٹو ڈائریکٹرز و آزاد ڈائریکٹر کو صرف بورڈ کمیٹی کی میٹنگ میں شمولیت کے لیے منظور شدہ قواعد کے مطابق ادائیگی کی جاتی ہے۔

متعلقہ تفصیلات 30 جون 2020 کو ختم ہونے والے مالی سال کے اکاؤنٹس میں نوٹ نمبر 44 میں درج ہیں۔

نام / کمیٹی ہائے کے اجلاس اور ان میں کی حاضری

| بورڈ ڈائریکٹرز کے نام          | بورڈ میٹنگ | آڈٹ کمیٹی | ہیومن ریسورس اینڈ ریمونزیشن کمیٹی |
|--------------------------------|------------|-----------|-----------------------------------|
| میٹنگز کی کل تعداد             | 5          | 5         | 2                                 |
| میاں محمد جاوید انور           | 5          | 5         | -                                 |
| محمد حارث                      | 5          | -         | 2                                 |
| سلمیٰ جاوید                    | 5          | -         | -                                 |
| محمد اورنگزیب                  | 5          | -         | -                                 |
| محمد جہانزیب                   | 5          | -         | -                                 |
| وحیدہ پرویز                    | 5          | 5         | 2                                 |
| نذیر احمد خان                  | 5          | 5         | 2                                 |
| رضا عباس جعفری (نامزد شدہ NIT) | 5          | -         | -                                 |

ڈائریکٹرز ٹریننگ پروگرام

تین ڈائریکٹرز کو ان کی تعلیمی قابلیت اور تجربے کی بنا پر ڈائریکٹرز ٹریننگ پروگرام سے مستثنیٰ کیا گیا ہے، جیسا کہ CCG میں فراہم کیا گیا ہے۔ ایک ڈائریکٹر نے ڈائریکٹرز ٹریننگ کی کامیاب تکمیل کے بعد سرٹیفکیٹ حاصل کر لیا ہے۔

ادارے کے اندرونی کنٹرول کا نظام

ادارے کا اندرونی کنٹرول کا نظام اس مقصد کیلئے بنایا گیا ہے کہ وہ اس چیز کی یقین دہانی کروائے کہ ادارے نے قواعد و ضوابط کو قانونی تقاضوں کے مطابق پورا کیا ہے، اپنے وسائل کا بہترین استعمال کیا ہے اور صحیح معلومات کو بروقت لوگوں تک پہنچایا ہے۔ آپ کی انتظامیہ اس چیز کا بھی بہت دھیان رکھتی ہے کہ سارے قابل اطلاق قوانین کو پورا کرنے کے ساتھ ساتھ ان کو پورا کرنے کی باقاعدہ نگرانی کرے اگر کہیں بے قاعدگی نظر آئے تو اسے فوراً ٹھیک بھی کرے۔

سماجی ذمہ داریاں اور ماحولیاتی تحفظ:

ادارہ کا یقین ہے کہ پرسکون ماحولیاتی حالات معیاری پیداوار کے لیے ریڑھ کی ہڈی کی حیثیت رکھتے ہیں۔ ہم کارپوریٹ سماجی ذمہ داریوں اور روزمرہ کاروباری معاملات میں منظم سماجی طریقوں کو مربوط کرنے کے بھی خود کو پابند سمجھتے ہیں۔ ہم اپنی کامیابی ماحولیاتی معیار پر نہیں جانتے بلکہ صارفین کو مطمئن کرنے اور معاشرے کی حمایت حاصل کرنے کو سمجھتے ہیں۔ اس وجہ سے ایک روایت کے طور پر ہم رعایتی نرخوں پر عملہ کو بہترین کھانا فراہم کر رہے ہیں۔ اپنے عملہ اور فیکٹری کے قریبی لوگوں کے لیے مفت میڈیکل کیمپ کا اہتمام کرتے ہیں۔ عملہ کے ذہن بچوں کو تعلیمی وظائف دیتے ہیں اور اپنے عملہ اور قوم کی بہتری کے لیے ہم خصوصی تقریبات جس میں کھیلوں کے ٹورنامنٹ، روزہ افطاری اور درخت لگانے کی مہم جیسے اقدامات کا اہتمام کرتے ہیں۔

## مستقبل پر نظر

ہم نئے مالی سال میں ایسے وقت میں داخل ہو رہے ہیں جب بڑی بڑی معاشی مارکیٹیں جام ہو کر رہ گئی ہیں۔ جسکا اثر بہت تیز اور پھیلاؤ بہت زیادہ ہے اور اگلے کچھ ماہ سب کے لیے انفرادی اور اجتماعی طور پر بہت مشکل ہونگے۔ دوسری جانب معاشی گراؤ کسی انڈسٹری میں اندرونی مسائل کی وجہ سے نہیں ہے بلکہ خارجی طاقت کی وجہ سے ہے جس نے ساری معاشی سرگرمیوں کو روک دیا ہے۔ جیسے ہی اس خارجی طاقت کا دخل ختم ہوگا تو ایک تیز رفتا بحالی شروع ہوگی۔ حکومت کی حکمت عملی جس میں توانائی کی قیمتوں میں کمی، پاکستان کے روپے کی قدر میں کمی اور سیلز ٹیکس ریفرنڈ کی بروقت ریلیز ضرورت حالات پر اثر انداز ہوگی۔ حکومت پاکستان کو ٹیکسٹائل انڈسٹری کے لیے بھی (GIDC ٹیکس کی مد میں) ریلیف جاری کرنا چاہیے۔ کوئیڈ-19 کی وجہ سے ٹیکسٹائل انڈسٹری کو پہلے ہی کافی دشواریوں کا سامنا ہے جبکہ GIDC کا بھی ٹیکسٹائل انڈسٹری پر منفی اثر پڑے گا جس سے ترسیلات زر میں کمی کا خطرہ ہو سکتا ہے اگر GIDC کی سابقہ شرح برقرار رکھی گئی۔ ہم بے چینی سے انتظار کر رہے ہیں کہ ٹیکسٹائل پیکیج لاگو کیا جائے جس میں گیس ریٹ 6.5/MMBTU جیسا کہ اکانومک کوآرڈینیشن کمیٹی (ECC) کی جانب سے منظور شدہ ہے۔ ہم امید کرتے ہیں کہ وقت کے ساتھ ڈائریکٹرز کا باہمی اتفاق اور تجربہ نیز حکومت کی جانب سے انڈسٹری کی بحالی کے لیے بہترین فیصلوں کی وجہ سے کمپنی کی آمدن میں اضافہ ہوگا جسکا اثر حصہ داران پر بھی ہوگا۔

کمپنی کے ڈائریکٹرز کی میٹنگ 7 نومبر 2019 میں کمپنی اور اس کے ممبران کے مابین کمینیز ایکٹ 2017 کے تحت سمجھوتہ، انتظامات اور تعمیر نو (اسکیم) کی منظوری دے دی گئی جو کہ بعد میں 30 نومبر 2019 کو ہونے والے غیر معمولی جنرل اجلاس میں 93.67% اکثریت کے ساتھ منظور کر لیا گیا۔ کمپنی نے 11 دسمبر 2019 کو معزز لاہور ہائی کورٹ (عدالت) میں درخواست دائر کی دیگر احکامات اور منظوری حاصل کرنے کے لئے۔ اس اسکیم کا اصل مقصد کمپنی کی تقسیم درج ذیل طریقے سے فراہم کرنا ہے۔

1- حصص داران کے ایک گروپ کے ذریعے نمائندگی کرنے والا سپننگ طبقہ کمپنی سے الگ ہو جائے گا اور اس کے تمام اثاثے اور واجبات میسر احمد حسن سپننگ لمیٹڈ (ایک عوامی غیر لسٹ کمپنی) منتقل ہو جائیں گے۔ مزید یہ کہ جنگ آپریشنز جو کہ لیز پر چلا رہے ہیں کو ہی سپننگ بزنس کے ساتھ منتقل کیا جائے گا۔

2- سپننگ بزنس کی نمائندگی کرنے والے حصص دار اپنے حصص کو کمپنی کے حوالے کر دیں گے جو کہ عدالت کے حکم سے منسوخ ہو جائیں گے اور:

3- بقیہ حصص داران جو کہ یونٹ کی نمائندگی کے ساتھ یونٹ کاروبار لمیٹڈ کمپنی کا حصہ رہیں گے۔

مالی بیانات جاری کرنے کے لئے اجازت کی تاریخ تک اسکیم کی منظوری کے عدالت کے حکم کا انتظار ہے۔

## کارپوریٹ گورننس

1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول

نظریات پر مبنی ہیں۔

- 4- مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیار کی جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔
- 5- اندرونی کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں نافذ کیا گیا ہے جسکی نگرانی بھی کی جاتی ہے۔
- 6- کمپنی کا کاروبار رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- 7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی کمی بیشی نہیں کی گئی۔
- 8- ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس میں دی گئی ہیں اور مالیاتی گوشواروں کا حصہ ہیں۔
- 9- ادارے کی ایک آڈٹ کمپنی ہے جس کے ممبرز بورڈ آف ڈائریکٹرز میں سے ہیں اور اس کا چیئرمین آزاد ڈائریکٹر ہے۔
- 10- بورڈ نے ادارے کے مشن اور وژن کے مطابق حکمت عملی کو اپنایا ہے۔
- 11- کمپنی کی دیگر کمپنیز کے ساتھ حکمت عملی کارپوریٹ گورننس اصولوں کے متعلق رپورٹ بھی اس ڈائریکٹر رپورٹ کے ساتھ منسلک ہے۔

## آڈیٹر

M/S PKF FRANTS چارٹرڈ اکاؤنٹنٹ دوبارہ منتخب ہونے کیلئے خود کو پیش کرتے ہیں، آڈٹ کمیٹی نے بھی ان کو دوبارہ ادارے کے آڈیٹر کے طور پر ایک سال کی مدت کیلئے تجویز کیا ہے۔

## پیٹرن آف شیئر ہولڈنگ

پیٹرن آف شیئر ہولڈنگ، کمپنی کے شیئر ہولڈرز کی جانب سے برائے اختتام سال 30 جون 2020 لف ہذا ہے۔

## ڈیوی ڈینڈ

بورڈ بخوشی 30 جون 2020 کو ختم ہونے والے مالی سال کیلئے 1.5 روپے فی حصص کے حساب سے فائنل ڈیوی ڈینڈ تجویز کرتا ہے۔

## اظہار تشکر

آپ کے ڈائریکٹران نے کمپنی کے کارکنوں اور عملے کی طرف سے کی گئی کوششوں کی تہہ دل سے تعریف کی ہے۔ آپ کے ڈائریکٹران کے تعاون اور مدد کیلئے حصص داران اور مالیاتی اداروں خاص طور پر بینک الحبیب، نیشنل بینک، سونیری بینک، الائیڈ بینک، بینک الفلاح، میزان بینک، حبیب بینک اور یونائیٹڈ کے تعاون اور رہنمائی کا شکریہ ادا کرتے ہیں۔

ڈائریکٹر

چیف ایگزیکٹو

ملتان

مورخہ 26 ستمبر 2020



## Six Years Growth at Glance (2015-2020)

| Particulars   | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>OPERATIONAL PERFORMANCE:</b>   |           |           |           |           |           |           |
| <b>Weaving</b>  |           |           |           |           |           |           |
| Number of Looms Installed   | 150       | 163       | 191       | 191       | 219       | 219       |
| Number of Looms Worked  | 150       | 163       | 163       | 176       | 219       | 219       |
| Installed Capacity after conversion into 60 picks Sq. Meter (000)             | 46,011    | 50,000    | 51,000    | 51,000    | 76,617    | 76,617    |
| Actual Production after conversion into 60 picks Sq. Meter (000)              | 37,664    | 43,163    | 44,437    | 48,517    | 55,471    | 51,229    |
| <b>Spinning</b>   |           |           |           |           |           |           |
| Number of Spindles Installed  | 24,984    | 24,984    | 24,984    | 28,152    | 28,152    | 28,152    |
| Number of Spindles Worked   | 24,984    | 24,984    | 24,984    | 28,152    | 28,152    | 28,152    |
| No. of Shifts Worked  | 1,095     | 1,098     | 1,095     | 1,095     | 1,095     | 1,095     |
| Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000) | 8,771     | 8,951     | 8,880     | 10,216    | 10,668    | 10,668    |
| Actual yarn Production (after con. 20/s count) KGS (000)                      | 7,075     | 8,476     | 8,628     | 9,507     | 10,546    | 10,438    |
| <b>PROFIT AND LOSS:</b>   |           |           |           |           |           |           |
| Net Sales Rs. (000)   | 3,248,868 | 3,455,552 | 4,055,873 | 5,179,001 | 7,273,994 | 7,351,415 |
| Cost of Sales Rs. (000)   | 3,039,521 | 3,207,894 | 3,809,770 | 4,870,745 | 6,814,257 | 6,812,418 |
| Gross Profit Rs. (000)  | 209,347   | 247,658   | 246,103   | 308,256   | 459,737   | 538,997   |
| Operating ProfitRs. (000)   | 35,862    | 116,912   | 132,039   | 202,702   | 318,390   | 402,370   |
| Profit /(loss) before Tax Rs. (000)   | (70,471)  | 8,707     | 9,565     | 64,907    | 129,357   | 194,351   |
| Profit /(loss) after Tax Rs. (000)  | (19,975)  | (18,118)  | (3,449)   | 10,118    | 40,956    | 121,031   |
| <b>BALANCE SHEET:</b>   |           |           |           |           |           |           |
| <b>Share Capital and Reserves Rs. (000)</b>                                   |           |           |           |           |           |           |
| Shareholders Equity Rs. (000)   | 1,850,206 | 1,811,322 | 1,807,873 | 1,817,992 | 1,840,937 | 1,824,663 |
| <b>Property Plant &amp; Equipment Rs. (000)</b>                               |           |           |           |           |           |           |
| CurrentAssets Rs. (000)   | 2,665,839 | 2,580,090 | 2,710,351 | 2,762,251 | 2,841,368 | 2,573,275 |
| Current Liabilities Rs.(000)  | 961,355   | 1,054,581 | 1,394,197 | 1,496,594 | 1,843,525 | 1,955,162 |
| Current Liabilities Rs.(000)  | 1,061,290 | 1,169,086 | 1,505,189 | 1,714,741 | 2,099,913 | 1,953,742 |
| Long Term Liabilities Rs. (000)   | 755,943   | 589,268   | 698,568   | 677,170   | 713,577   | 701,039   |
| <b>INVESTOR INFORMATION:</b>  |           |           |           |           |           |           |
| <b>Per Share (Rs.)</b>  |           |           |           |           |           |           |
| Dividend announced (Rs per share)   | -         | -         | -         | 1.25      | 1.25      | 1.50      |
| Earning/(Loss) Per Share  | (1.39)    | (1.26)    | (0.24)    | 0.70      | 2.84      | 8.40      |
| <b>FINANCIAL RATIOS:</b>  |           |           |           |           |           |           |
| Gross Profit Ratio (%)  | 6.44      | 7.17      | 6.07      | 5.95      | 6.32      | 7.33      |
| Net Profit Ratio (%)  | (0.61)    | (0.52)    | (0.09)    | 0.20      | 0.56      | 1.65      |
| Inventory Turnover (times)  | 5.62      | 5.32      | 4.94      | 5.52      | 6.89      | 6.17      |
| Fixed Assets Turnover (times)   | 1.22      | 1.34      | 1.50      | 1.87      | 2.56      | 2.86      |
| Total Assets Turnover (times)   | 0.89      | 0.94      | 0.99      | 1.20      | 1.53      | 1.54      |
| Return on Capital Employed (%)  | 0.01      | 0.05      | 0.05      | 0.02      | 0.05      | 0.07      |
| Debt to Equity Ratio (%)  | 23.35     | 22.29     | 26.16     | 26.62     | 26.18     | 23.43     |
| Current Ratio (%)   | 0.91      | 0.90      | 0.93      | 0.87      | 0.88      | 1.00      |
| Interest Coverage Ratio (times)   | 0.34      | 1.08      | 1.08      | 1.47      | 1.68      | 1.93      |

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of company: Ahmad Hassan Textile Mills Limited (the Company)**

**Year ending: June 30, 2020**

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

1. The total number of directors are eight (8) as per the following:-

- a. Male: Six
- b. Female: Two

2. The composition of the board of directors (the Board) is as follows:

- i. Independent directors  
Mr. Nazir Ahmad Khan
- ii. Non-executive directors  
Mian Muhammad Javed Anwar  
Mrs. Salma Javed  
Mrs. Waheeda Parvaiz  
Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)
- iii. Executive directors  
Mr. Muhammad Haris  
Mr. Muhammad Aurangzeb  
Mr. Muhammad Jahanzaib
- iv. Female directors  
Mrs. Salma Javed  
Mrs. Waheeda Parvaiz

3. The directors have confirmed that none of them is serving as a director on more than seven 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. Three out of eight directors of the Company are exempted from directors training program on the basis of their level of education and length of experience as provided in these Regulations. One director (Mr. Muhammad

Aurangzeb i.e. Executive Director) has already attended the Director's Training Program;

10. The Board has approved appointment or continued service of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

- a) **Audit Committee**
  - Mr. Nazir Ahmad Khan (Chairman)
  - Mian Muhammad Javed Anwar (member)
  - Mrs. Waheeda Parvaiz (member)
- b) **HR and Remuneration Committee**
  - Mr. Nazir Ahmad Khan (Chairman)
  - Mr. Muhammad Haris (member)
  - Mrs. Waheeda Parvaiz (member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

14. The frequency of meetings of the committees were as per following:

- |                                  |            |
|----------------------------------|------------|
| a) Audit Committee               | 5 meetings |
| b) HR and Remuneration Committee | 2 meetings |

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan 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 regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except that the minutes of the audit committee meetings were not circulated in accordance with



the Regulation 27(5); and .

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| Reg. No. | Non-Mandatory Requirement   | Explanation   |
|----------|---|---|
| 10       | <b>Responsibilities of the Board and its members</b><br>Adoption of corporate governance practices  | Non-mandatory provisions of the CCG Regulations are partially complied.   |
| 19 (2)   | <b>Directors Training for newly appointed director</b><br>A newly appointed director on the Board may acquire, the directors training program certification within a period of one year from the date of appointment as a director on the Board.  | The Company will soon arrange the training program for newly appointed director.  |
| 29 (1)   | <b>Nomination Committee</b><br>The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.   | Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee . |
| 30 (1)   | <b>Risk management Committee</b><br>The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | Currently, the board has not constituted a separate Risk Management Committee and the functions are being performed by the Audit Committee.                     |
| 35       | <b>Disclosure of significant policies on website</b><br>The company may post the following on its website:<br>(1) Key elements of its significant policies<br>(2) Brief synopsis of terms of reference of the Boards committees<br>(3) Key elements of the directors remuneration policy    | The Company is in the process of updating its website regarding the relevant disclosure requirements .  |

\_\_\_\_\_  
Signature  
Muhammad Aurangzeb  
Chief Executive

\_\_\_\_\_  
Signature  
Muhammad Javed Anwar  
Chairman/director



**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF AHMAD HASSAN TEXTILE MILLS LIMITED**  
**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES**  
**(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Ahmad Hassan Textile Mills Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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, 2020.

Further, we highlight below instances of non-compliances with the requirements of the Regulations as reflected in the paragraph references where these are stated in the Statement of Compliance:

| Sr. | Paragraph Reference | Description  |
|-----|---------------------|--|
| i)  | 18                  | Minutes of the audit committee meetings were not circulated in accordance with the Regulation 27(5). |

PKF F.R.A.N.T.S.  
Chartered Accountants  
Multan  
Dated: September 26, 2020



## INDEPENDENT AUDITOR'S REPORT

### To the members of Ahmad Hassan Textile Mills Limited Report on the Audit of Financial Statements

#### OPINION

We have audited the annexed financial statements of **Ahmad Hassan Textile Mills Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of 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 and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of 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, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### BASIS FOR OPINION

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

#### KEY AUDIT MATTERS

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

**Following are the Key audit matters:**

| S. No.    | Key audit matter  | How the matter was addressed in our audit  |
|-----------|---|--|
| <p>1.</p> | <p><b>Impact of COVID-19</b><br/> Refer note 2 to the annexed financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities since March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.<br/> In connection with the accounting and reporting obligations, the management of the Company assessed the impact of COVID-19 related events on its financial statements including its impact on the appropriateness of the use of the going concern assumption.</p> <p>This included assessment of both financial (debt covenant compliance concerns, renegotiation of debt agreements, liquidity and funding concerns) and non-financial (disruption of supply chain, logistics, fluctuating demand, workforce management and employee health issue) considerations.</p> <p>In addition to this, the assumptions used and estimates associated with measurement of various assets and liabilities were also assessed.</p> <p>COVID-19 pandemic was a significant event during the year. The pandemic had an impact on the audit strategy and its execution involved assessment of management judgements in the preparation of the financial statements. This was accordingly considered as a key audit matter.</p> | <p>Our key audit procedures in this area included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Evaluating management's assessment whether going concern assumption is appropriate;</li> <li>• Checking the key debt covenants of the loans and finances agreements in order to assess the Company's compliance status with these covenants;</li> <li>• Checking subsequent recoveries, on a sample basis;</li> <li>• Inspecting supporting documentation such as contracts and underlying calculations and correspondence with financing and other relevant parties;</li> <li>• Evaluating the Company's assessment of other accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables and inventory provisioning; and</li> <li>• Considering the appropriateness of the disclosures made in the financial statements in respect of the impact of COVID-19.</li> </ul> |
| <p>2.</p> | <p><b>Contingencies</b><br/> Refer note 4.22, note 30 and note 31 to the accompanying financial statements, various tax, excise and customs related matters are pending adjudication at various levels with the taxation authorities and other legal forums.</p>  | <p>Our key audit procedures in this area included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the correspondence of the Company with the relevant authorities and legal advisors including judgments or orders passed by the competent authorities;</li> </ul>  |

|           |  |   |
|-----------|--|---|
|           | <p>The tax contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Due to inherent uncertainties regarding amount and the time period such matters may take to resolve, the management judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered contingencies as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• Obtained and reviewing confirmations from the Company's external legal advisors for their views on the status of each case and an overall opinion on the position of the Company;</li> <li>• Involving internal tax experts to assess and review the management's conclusions on contingent matters; and</li> <li>• Evaluating whether adequate disclosures have been made in note 30 and note 31 to the accompanying financial statements.</li> </ul>   |
| <p>3.</p> | <p><b>Stock-in-trade</b><br/>Refer note 4.9 and note 11 to the accompanying financial statements, stock-in-trade amounting Rs. 1,098.591 million forms a significant part of the Company's assets. Adjustments amounting to Rs. 10.995 million have been made to closing inventory to write down stocks to their net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involves significant judgement and estimation</p>      | <p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;</li> <li>• Comparing calculations of the allocation of directly attributable costs with the underlying supporting documents;</li> <li>• Obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and</li> <li>• Comparing the NRV, on a sample basis, to the cost of stock-in-trade to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.</li> </ul> |
| <p>4.</p> | <p><b>Trade Debts</b><br/>Refer note 12 to the accompanying financial statements, the Company's trade debtors were Rs. 609.448 million as at June 30, 2020 which is a significant balance.</p> <p>We identified the recoverability of trade</p>  | <p>Our audit procedures to assess the valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and making</li> </ul>  |

|  |   |   |
|--|---|---|
|  | <p>debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</p> | <p>allowances for doubtful debts;</p> <ul style="list-style-type: none"> <li>• Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation;</li> <li>• Assessing the assumptions and estimates made by the management for the provision for doubtful debts, if any; and</li> <li>• Comparing, on a sample basis, receipts from customers subsequent to the financial year end relating to trade debtor balances as at June 30, 2020 with the underlying documentation.</li> </ul> |
|--|---|---|

**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, 2020, but does not include the financial statements of the Company and our auditor's report thereon.

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

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

**RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS**

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

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

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

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

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

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PKF F.R.A.N.T.S.,  
Chartered Accountants  
Multan  
September 26, 2020



**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

| <b>ASSETS</b>   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>NON-CURRENT ASSETS</b>   |              |                        |                        |
| Property, plant and equipment   | 5            | 2,573,275,441          | 2,841,368,043          |
| Investment property   | 6            | 43,311,500             | 43,311,500             |
| Intangible assets   | 7            | 76,699                 | 122,717                |
| Long term deposits  | 8            | 12,617,377             | 13,262,777             |
| Long term investment  | 9            | -                      | 17,837,014             |
|   |              | <b>2,629,281,017</b>   | <b>2,915,902,051</b>   |
| <b>CURRENT ASSETS</b>   |              |                        |                        |
| Stores, spare parts and loose tools                                       | 10           | 78,334,628             | 60,940,689             |
| Stock-in-trade  | 11           | 1,098,590,926          | 1,108,560,342          |
| Trade debts   | 12           | 609,448,392            | 481,533,726            |
| Loans and advances  | 13           | 95,984,647             | 111,787,562            |
| Due from Government   | 14           | 53,309,289             | 57,775,795             |
| Other receivables   | 15           | 7,105,167              | 6,109,505              |
| Short term investments  | 16           | 46,680                 | 52,000                 |
| Cash and bank balances  | 17           | 12,342,710             | 16,765,243             |
|   |              | <b>1,955,162,439</b>   | <b>1,843,524,862</b>   |
| <b>TOTAL ASSETS</b>   |              | <b>4,584,443,456</b>   | <b>4,759,426,913</b>   |
| <b>EQUITY AND LIABILITIES</b>   |              |                        |                        |
| <b>SHARE CAPITAL AND RESERVES</b>   |              |                        |                        |
| Authorized share capital  | 18           | 200,000,000            | 200,000,000            |
| Issued, subscribed and paid up share capital                              | 18           | 144,082,488            | 144,082,488            |
| Capital reserves:   |              |                        |                        |
| Share premium   | 19           | 32,746,284             | 32,746,284             |
| Surplus on revaluation of property, plant and equipment                   | 20           | 598,128,563            | 742,422,219            |
| Revenue reserve - unappropriated profit                                   |              | 1,049,705,459          | 921,685,893            |
|   |              | <b>1,824,662,794</b>   | <b>1,840,936,884</b>   |
| Subordinated loans  | 21           | 105,000,000            | 105,000,000            |
| <b>NON-CURRENT LIABILITIES</b>  |              |                        |                        |
| Long term loans and financing   | 22           | 509,856,710            | 492,597,908            |
| Lease liabilities   | 23           | 2,108,206              | 7,020,700              |
| Deferred income - government grant  | 24           | 1,608,850              | -                      |
| Deferred taxation - net   | 25           | 187,465,164            | 213,958,218            |
|   |              | <b>701,038,930</b>     | <b>713,576,826</b>     |
| <b>CURRENT LIABILITIES</b>  |              |                        |                        |
| Trade and other payables  | 26           | 860,213,906            | 681,408,533            |
| Unclaimed dividend  |              | 3,376,878              | 3,235,078              |
| Short term finances under markup arrangements and other credit facilities | 27           | 920,907,233            | 1,138,700,665          |
| Current portion of non-current liabilities                                | 28           | 42,137,973             | 153,233,348            |
| Accrued finance cost  | 29           | 37,646,441             | 52,539,990             |
| Provision for taxation  | 30           | 89,459,301             | 70,795,589             |
|   |              | <b>1,953,741,732</b>   | <b>2,099,913,203</b>   |
| <b>TOTAL LIABILITIES</b>  |              | <b>2,654,780,662</b>   | <b>2,813,490,029</b>   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                      | 31           |                        |                        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                       |              | <b>4,584,443,456</b>   | <b>4,759,426,913</b>   |

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-  
Chief Executive

Sd/-  
Director

Sd/-  
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| Sales - net                                   | <b>32</b>    | <b>7,351,414,537</b>   | 7,273,993,808          |
| Cost of sales                                 | <b>33</b>    | <b>(6,812,417,885)</b> | (6,814,257,276)        |
| <b>Gross profit</b>                           |              | <b>538,996,652</b>     | 459,736,532            |
| Other income                                  | <b>34</b>    | <b>945,369</b>         | 2,464,097              |
| Profit / (loss) on trading                    | <b>35</b>    | <b>224,300</b>         | (14,845)               |
| Distribution cost                             | <b>36</b>    | <b>(46,117,079)</b>    | (61,066,650)           |
| Administrative expenses                       | <b>37</b>    | <b>(76,656,460)</b>    | (75,825,494)           |
| Other operating expenses                      | <b>38</b>    | <b>(15,022,482)</b>    | (6,903,889)            |
|   |              | <b>(136,626,352)</b>   | (141,346,781)          |
| <b>Profit before finance cost</b>             |              | <b>402,370,300</b>     | 318,389,751            |
| Finance cost - net                            | <b>39</b>    | <b>(208,018,873)</b>   | (189,033,018)          |
| <b>Profit before taxation</b>                 |              | <b>194,351,427</b>     | 129,356,733            |
| Taxation                                      | <b>40</b>    | <b>(73,320,620)</b>    | (88,401,166)           |
| <b>Profit after taxation for the year</b>     |              | <b>121,030,807</b>     | 40,955,567             |
| <b>Earnings per share - basic and diluted</b> | <b>41</b>    | <b>8.40</b>            | 2.84                   |

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-  
Chief Executive

Sd/-  
Director

Sd/-  
Chief Financial Officer

**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>2020</b>          | 2019       |
|---|----------------------|------------|
|   | <b>Rupees</b>        | Rupees     |
| <b>Profit after taxation for the year</b>   | <b>121,030,807</b>   | 40,955,567 |
| <b>Other comprehensive loss for the year</b>  |                      |            |
| Items that will not be classified to statement of profit or loss in subsequent periods: |                      |            |
| Impact of revaluation carried out during the year - net (note 20)                       | <b>(138,004,907)</b> | -          |
| Less: related deferred tax  | <b>18,710,319</b>    | -          |
|   | <b>(119,294,588)</b> | -          |
| <b>Total comprehensive income for the year</b>  | <b>1,736,219</b>     | 40,955,567 |

The annexed notes, from 1 to 55, form an integral part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Reserves      |   |                       |               | Total         |
|--|---------------|---|-----------------------|---------------|---------------|
|  | Capital       |   | Revenue               |               |               |
|  | Share premium | Surplus on revaluation of property, plant and equipment | Unappropriated profit |               |               |
| Rupees   |               |   |                       |               |               |
| Balance as at June 30, 2018  | 144,082,488   | 32,746,284  | 773,129,285           | 868,033,570   | 1,817,991,627 |
| Distribution to owners:  |               |   |                       |               |               |
| Final cash dividend of Rs. 1.25 per share for the year ended June 30, 2018   | -             | -   | -                     | (18,010,310)  | (18,010,310)  |
| Total comprehensive income for the year:   |               |   |                       |               |               |
| Profit after taxation for the year   | -             | -   | -                     | 40,955,567    | 40,955,567    |
| Other comprehensive income for the year  | -             | -   | -                     | -             | -             |
|  | -             | -   | -                     | 40,955,567    | 40,955,567    |
| Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 20.2. | -             | -   | (30,707,066)          | 30,707,066    | -             |
| Balance as at June 30, 2019  | 144,082,488   | 32,746,284  | 742,422,219           | 921,685,893   | 1,840,936,884 |
| Distribution to owners:  |               |   |                       |               |               |
| Final cash dividend of Rs. 1.25 per share for the year ended June 30, 2019   | -             | -   | -                     | (18,010,309)  | (18,010,309)  |
| Total comprehensive income for the year:   |               |   |                       |               |               |
| Profit after taxation for the year   | -             | -   | -                     | 121,030,807   | 121,030,807   |
| Other comprehensive loss for the year  | -             | -   | (119,294,588)         | -             | (119,294,588) |
|  | -             | -   | (119,294,588)         | 121,030,807   | 1,736,219     |
| Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 20.2. | -             | -   | (24,999,068)          | 24,999,068    | -             |
| Balance as at June 30, 2020  | 144,082,488   | 32,746,284  | 598,128,563           | 1,049,705,459 | 1,824,662,794 |

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/  
Chief Executive

Sd/  
Director

Sd/  
Chief Financial Officer

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |              |                        |                        |
| <b>Cash generated from operations</b>                                 | <b>42</b>    | <b>609,988,441</b>     | <b>374,912,263</b>     |
| Income tax paid - net   |              | <b>(62,928,916)</b>    | (57,762,077)           |
| Finance cost paid - net   |              | <b>(222,556,947)</b>   | (168,619,812)          |
| Long term deposits - net  |              | <b>645,400</b>         | (925,600)              |
| Duty drawback of taxes on export sales received                       |              | <b>241,589</b>         | 18,379,669             |
| Paid to Workers' Profit Participation Fund                            | <b>26.2</b>  | <b>(7,163,724)</b>     | (3,560,829)            |
|   |              | <b>(291,762,598)</b>   | (212,488,649)          |
| <b>Net cash generated from operating activities (A)</b>               |              | <b>318,225,843</b>     | <b>162,423,614</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |              |                        |                        |
| Additions to property, plant and equipment                            |              | <b>(10,586,218)</b>    | (221,246,501)          |
| Proceeds from disposal of property, plant and equipment               |              | <b>3,040,000</b>       | 490,000                |
| Long term investment realized - net                                   |              | <b>17,700,000</b>      | -                      |
| Dividend received   |              | -                      | 4,000                  |
| <b>Net cash generated from/ (used in) investing activities (B)</b>    |              | <b>10,153,782</b>      | <b>(220,752,501)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |              |                        |                        |
| Dividend paid   |              | <b>(17,868,509)</b>    | (17,794,774)           |
| Long term finances obtained   |              | <b>46,756,446</b>      | 180,820,805            |
| Repayment of long term finances                                       |              | <b>(137,826,086)</b>   | (188,599,869)          |
| Repayment of principal portion of lease liabilities                   | <b>23</b>    | <b>(6,070,577)</b>     | (2,847,828)            |
| Short term finances - net   |              | <b>(113,548,137)</b>   | 38,956,992             |
| <b>Net cash (used in) / generated from financing activities</b>       | <b>42.1</b>  | <b>(228,556,863)</b>   | <b>10,535,326</b>      |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b> |              | <b>99,822,762</b>      | <b>(47,793,561)</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>             |              | <b>(263,220,653)</b>   | <b>(215,427,092)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                   | <b>42.2</b>  | <b>(163,397,891)</b>   | <b>(263,220,653)</b>   |

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-  
Chief Executive

Sd/-  
Director

Sd/-  
Chief Financial Officer

**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**1 STATUS AND ACTIVITIES**

Ahmad Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of yarn and fabric. The Company is also engaged in cotton ginning business by taking ginning factory on lease from its associated undertaking. Registered/Head office of the Company is situated at 46-Hassan Parwana Colony, Multan.

Following are the geographical locations and addresses of business units of the Company:

| <b>Business Unit</b>       | <b>Address</b>  |
|----------------------------|---|
| Spinning and weaving mills | M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh |
| Ginning factory            | Chowk Naseer Abad, Tehsil Jatoi, District Muzaffargarh  |

**1.1** The Directors of the Company, in their meetings held on November 07, 2019, approved with majority the Scheme of Compromises, Arrangements and Reconstruction (the Scheme) under the Companies Act, 2017 among the Company and its members, which was later on approved by the 93.67% majority of members of the Company in the Extra Ordinary General Meeting dated November 30, 2019. The Company filed application in the Honorable Lahore High Court (the Court) on December 11, 2019 to obtain sanction of, and for other orders facilitating the implementation of the Scheme. The principal object of the Scheme is to provide for the division of the Company as follows:

- (i)** The Spinning business segment represented by a group of shareholders will be separated from the Company and all its assets and liabilities will be transferred to M/S 'Ahmad Hassan Spinning Limited' (a public un-listed company). Moreover, the ginning operations, presently being operated on lease, will also be transferred along with the spinning business segment;
- (ii)** The shareholders representing the spinning business segment will surrender their shares to the Company which shall be cancelled by order of the Court; and
- (iii)** The remaining shareholders representing the weaving business segment, along with the minority shareholders, shall continue the weaving business in the present form of the listed company.

As of the date of authorization for issue of these financial statements, the order of the Court sanctioning the Scheme is awaited.

**2 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business.

The Company is conducting business with some modifications to employees' working, among other modifications while following all necessary Standard Operating Procedures (SOPs) recommended by the Government. The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers and other shareholders.

Prior to the Pandemic, the Company's financial results presented healthy growth. The sales and production showed increasing trends and the overall profit increased. However, the operations of the Company were affected to some extent due to the COVID-19 situation. The year ended with a decrease in production and sales during the last quarter and expected annual results / targets regarding production and sales could not be achieved. The mills and offices of the Company remained closed from March 26, 2020 till April 08, 2020 which affected the production and sales. The stock of finished products could not be sold at the expected rates and the company incurred an NRV loss of Rs. 10.995 million on some finished goods.

**IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS - continued**

Due to the effects of Covid-19 pandemic, as stated above, the State Bank of Pakistan (SBP) took various measures to support the economy. As a part of it, SBP introduced a refinance scheme as detailed in note 22.2. The Company availed this scheme and recognized government grant in accordance with IAS-20 'Accounting for government grants and disclosure of government assistance' as disclosed in note 24. The Company also applied to some banks for deferment of principal payments of the long-term loans and finances, which were acceded to by the banks as detailed in note 22.3.

Currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear. However, the management based on its assessment considered that there would be no significant impact that will adversely affect its business, results of operations and financial condition in future period or the carrying amount of assets and liabilities, except as detailed above, and its going concern assumption.

**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 of:

- International Financial Reporting Standards (IFRS Standards) 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**3.2 BASIS OF MEASUREMENT**

These financial statements have been prepared under historical cost convention, except as otherwise stated in respective policies and notes hereunder. In these financial statements, except for the amounts reflected in statement of cash flows, all transactions have been accounted for on accrual basis.

**3.3 FUNCTIONAL AND PRESENTATION CURRENCY**

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

**3.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

**3.4.1 Property, plant and equipment and investment property**

The Company reviews the carrying amounts, rates of depreciation, useful lives and residual values of assets for possible impairment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding effect on the depreciation charge and impairment.

**SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued****3.4.2 Inventories**

The Company reviews the net realizable value of inventories, including stock-in-trade, stores, spare parts and loose tools, to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on related cost and impairment.

**3.4.3 Income taxes**

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the previous decisions of appellate authorities on certain issues. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law.

**3.4.4 Provision for contingencies**

The Company discloses its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

**3.4.5 Provision for doubtful receivables**

The Company records its trade and other receivables after deducting appropriate provisions, if any, using expected credit loss method as explained in note 4.26.1 (d)

**3.5 NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS****3.5.1 Standards, amendments and Interpretations adopted during the year**

The Company has adopted the following amendments of International Accounting Standards which became effective for the current year:

|          |  |
|----------|--|
| IAS 12   | Income taxes (Amendments); Amendments regarding income tax consequences of payments on financial instruments classified as equity.   |
| IAS 23   | Borrowing costs (Amendments); Borrowing costs eligible for capitalization  |
| IAS 28   | Investment in associates and joint ventures (Amendments); Amendments regarding long term interests in associates and joint ventures.   |
| IAS 19   | Employee benefits (Amendments); Amendments regarding plan amendments, curtailments or settlements.   |
| IFRS 3   | Business combinations (Amendments); Amendments regarding previously held Interests in a joint operation.   |
| IFRS 9   | Financial instruments (Amendments); Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.  |
| IFRS 11  | Joint arrangements (Amendments); Re-measurement of previously held Interests in a joint operation.   |
| IFRS 14  | Regulatory deferral accounts - original issue.   |
| IFRS 16  | Leases; COVID-19 related rent concessions amendment.   |
| IFRS 16  | Leases; This standard superseded IAS 17 - 'Leases' upon its effective date.  |
| IFRIC 23 | Uncertainty over income tax; Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. |

The adoption of the above amendments to accounting standards did not have any significant impact on the financial statements, except some additional disclosures. Consequent to adoption of IFRS 16, changes in some accounting policies have been reflected in note 4.1

**NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS- continued**
**3.5.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company as on the reporting date**

The following new/revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

| <b>Standards or interpretations</b> |   | <b>Effective date<br/>(reporting period<br/>beginning on or<br/>after</b> |
|-------------------------------------|---|---|
| IFRS 3                              | Business Combinations; Definition of a Business (Amendments)  | January 01, 2020  |
| IFRS 3                              | Business Combinations; Reference to the Conceptual Framework (Amendments)   | January 01, 2022  |
| IFRS 9/ IAS 39/<br>IFRS 7           | Financial Instruments, Financial Instruments: Recognition and Measurement & Financial Instruments: Disclosures; Interest Rate Benchmark Reform (Amendments)                         | January 01, 2020  |
| IFRS 10 / IAS<br>28                 | Consolidated Financial Statements & Investments in Associates and Joint Ventures; Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized   |
| IAS 1 / IAS 8                       | Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors; Definition of Material (Amendments)   | January 01, 2020  |
| IAS 1                               | Presentation of Financial Statements; Classification of liabilities as current or non-current (Amendments)  | January 01, 2022  |
| IAS 16                              | Property, Plant and Equipment; Proceeds before intended use (Amendments)  | January 01, 2022  |
| IAS 37                              | Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts - Cost of fulfilling a contract (Amendments)  | January 01, 2022  |
| IFRS 9                              | Financial instruments; Fees in the ' 10 percent' test for derecognition of financial liabilities (Amendments)   | January 01, 2022  |
| IAS 41                              | Agriculture; Taxation in fair value measurements (Amendments)   | January 01, 2022  |

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures.

International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **4.1 IFRS 16 - Leases**

IFRS 16 supersedes 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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with cumulative effect of initially applying standard recognised at the date of initial application and accordingly the Company is not required to restate prior year results. The Company also elected to use the recognition exception for lease contracts that, at the commencement date, have a lease term of twelve months or less and do not contain a purchase option (short term leases).

Adoption of IFRS 16 does not have any material impact on financial statements except reclassification of 'Leased assets' as 'Right-of-use assets' and 'Liabilities against assets subject to finance lease' as 'Lease Liabilities'.

##### **4.1.1 Nature of the effect of adoption of IFRS 16**

The Company has lease contracts for vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

##### **4.1.2 Leases previously classified as finance leases**

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

##### **4.1.3 Leases previously accounted for as operating leases**

The Company has only short-term leases for which the Company has opted to use the recognition exemptions for these lease contracts.

##### **4.1.4 Right-of-use assets**

As a result of adoption of IFRS 16, the Company has adopted following new accounting policy:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases vehicles for its operations. The Company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- The initial direct costs; and
- Restoration cost (if any).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Subsequently, right-of-use assets are recognized at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain re-measurements of the lease liability. The right-of-use asset is depreciated using the reducing balance method over the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

**4.2 Property, plant and equipment****4.2.1 Owned****(a) Initial recognition**

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

**(b) Measurement**

Property, plant and equipment except freehold land and capital work-in-progress (CWIP) are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and CWIP is stated at cost less any recognized impairment loss. Borrowing costs pertaining to erection / construction of qualifying assets are capitalized as part of the historical cost as stated in note 4.17.

All expenditure connected to the specific assets, incurred during installation and construction period, is carried under CWIP. These are transferred to specific assets as and when assets are available for intended use.

**(c) Depreciation**

Depreciation on all items of property, plant and equipment except freehold land and capital work-in-progress is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected period / pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in note 5.1.

Depreciation is charged on additions from the month in which an asset is available for use and no depreciation is charged for the month in which the asset is disposed of.

**(d) Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The assets so replaced, if any, other than those kept as stand-by, are retired. All other repair and maintenance cost is charged to income during the period in which it is incurred.

**(e) Gains or losses on disposals**

Gains and losses on disposal of assets are taken to the statement of profit or loss, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to unappropriated profit.

**(f) Revaluation**

Revaluation of land, building and plant and machinery is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of assets is recognized, net of deferred tax, in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of property, plant and equipment" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognized in statement of profit or loss, in which case the increase is first recognized in statement of profit or loss to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to statement of profit or loss.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****Property, plant and equipment - continued**

The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and depreciation based on the asset's original cost, net of deferred tax, is reclassified from revaluation surplus to unappropriated profit.

**4.3 Investment property**

Investment property is measured at cost, including transaction costs less impairment, if any. Subsequent expenditures are made part of cost as and when incurred.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on derecognition being difference between the net disposal proceeds and the carrying amount of the asset is recognized in statement of profit or loss in the period of derecognition.

**4.4 Intangible assets**

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price and other directly attributable expenditures relating to their implementation and customization. It includes costs incurred in acquiring scientific or technical knowledge, systems, licenses, intellectual property, market knowledge and trademarks. These costs are amortized over their estimated useful life using straight line method at rates given under note 7 starting from the month of capitalization of assets.

**4.5 Impairment of non-financial assets**

The management assesses at each statement of financial position date whether there is any indication that a non-financial asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year except the impairment of property, plant and equipment which is adjusted against the existing revaluation surplus on the same assets, if any.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying value based on initial cost of the asset. Reversal of impairment loss is recognized as income.

**4.6 Long term deposits**

These are stated at cost or amortized cost which represents the fair value of consideration given.

**4.7 Long term Investments**

Long term investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

**4.8 Stores, spare parts and loose tools**

These are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. The cost of inventory is based on moving average cost. Cost of items in transit comprises cost accumulated up to the statement of financial position date. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale, which is generally equivalent to the estimated replacement cost. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****4.9 Stock-in-trade**

These are valued at lower of cost and net realizable value. Cost is determined as:

|                           |                            |
|---------------------------|----------------------------|
| Raw material at warehouse | Weighted average cost      |
| Work in process           | Average manufacturing cost |
| Finished goods            | Average manufacturing cost |
| Trading goods             | Weighted average cost      |
| Waste and leftovers       | Net realizable value       |

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to make such sale.

**4.10 Trade debts, loans, advances and other receivables**

These are initially measured at the fair value of the consideration receivable. Subsequently these are valued at amortized cost. These assets are written off when there is no reasonable expectation of recovery, based on the expected credit loss.

**4.11 Foreign currency translations**

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupees at the exchange rates prevailing on the statement of financial position date except for those covered by forward contracts, if any. All exchange fluctuations are charged to statement of profit or loss for the period.

**4.12 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks and short-term running finances that are repayable on demand and form an integral part of the Company's cash management.

**4.13 Non-current assets classified as held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognized in statement of profit or loss.

**4.14 Share capital**

Ordinary shares are classified as equity and recognised at their face value.

**4.15 Dividend and revenue reserves appropriation**

Dividend and movement in revenue reserves are recognized in the financial statements in the period in which these are approved.

**4.16 Subordinated loans**

The subordinated loans, for which repayment terms are not identified, are treated as equity at face value in accordance with the guideline provided through TR 32 - "Accounting Directors' Loan" issued by the Institute of Chartered Accountants of Pakistan.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****4.17 Borrowings and their costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to statement of profit or loss in the period in which these are incurred.

**4.18 Taxation****4.18.1 Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income and previous decisions taken by appellate authorities. The charge for current tax is calculated at the prevailing rates of taxation after taking into account tax credits, rebates and exemption available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Taxes paid during the year or withheld at source are shown as advance payments and are adjusted at the time of filing of Income Tax Return. Amount of tax paid in excess of tax payable as per Income Tax Return is booked as refundable.

**4.18.2 Deferred**

Deferred tax is provided using the statement of financial position liability method for all temporary differences at the statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all major taxable temporary differences. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime are also considered in accordance with the requirement of Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

**4.19 Trade and other payables**

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

**4.20 Provision for gratuity**

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision and payment of gratuity is made annually based on service period completed by each employee.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****4.21 Provisions**

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

**4.22 Contingencies and commitments**

Contingencies and commitments unless those are actual liabilities, are not incorporated in the financial statements.

**4.23 Revenue recognition**

Revenue from local sale of goods be recognised at the point in time when control of goods is transferred to the customer, which is when the goods are dispatched to the customer and invoices are generated.

Revenue from various other transactions is recognized as follows:

- Processing income is recorded when goods are dispatched to customers and, simultaneously, invoices are raised.
- Export sales are recorded on shipment basis.
- Export rebate and Duty Drawbacks are accrued on the basis of actual export proceeds realized.
- Profit on deposits is accrued on time proportion basis by reference to the principal outstanding and applicable rate of return.
- Markup income is accrued on time basis by reference to the principal outstanding and at the agreed markup rate applicable.
- Dividend income is recognized when the Company's right to receive the dividend is established.
- Gains / (losses) on disposal of investments are included in income and are recognized on the date when transaction takes place.

**4.24 Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- Receivables or payables that are stated with the amount of sales tax included;
- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statement of financial position.

**4.25 Earnings per share**

Basic Earnings Per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****4.26 Financial instruments**

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

**4.26.1 Financial assets****(a) Initial recognition and measurement**

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss based on the Company's business model for managing the financial assets and their contractual cash flows characteristics.

With the exception of certain receivables, the Company initially measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**(b) subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortized cost;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- Financial assets at fair value through profit or loss.

**(i) Financial assets at amortized cost**

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

**(ii) Financial assets designated at fair value through OCI**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments, which are not held for trading, as equity instruments designated at fair value through OCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**(iii) Financial assets at fair value through profit or loss**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****Financial instruments - continued****(c) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

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

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

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

**(d) Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**4.26.2 Financial liabilities****(a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs, except subordinated loans and unclaimed dividend.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****Financial instruments - continued****(b) Subsequent measurement**

Gains or losses on financial liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised 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.

**(c) Derecognition**

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

**4.26.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.26.4 Fair value of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the Inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derive from prices).
- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

**4.27 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****4.28 Government grants**

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

**5. PROPERTY, PLANT AND EQUIPMENT**

 Operating property, plant and equipment  
 Capital work-in-progress

|     | 2020                 | 2019                 |
|-----|----------------------|----------------------|
|     | Rupees               | Rupees               |
| 5.1 | 2,573,275,441        | 2,841,368,043        |
| 5.2 | -                    | -                    |
|     | <u>2,573,275,441</u> | <u>2,841,368,043</u> |

**5.1 Operating property, plant and equipment - As at June 30, 2020**

| PARTICULARS   | COST / REVALUED AMOUNTS |            |   |                    |             |             | DEPRECIATION CHARGE |                                 |              |                          | NET BOOK VALUE |                                 | RATE          |                     |
|---|-------------------------|------------|---|--------------------|-------------|-------------|---------------------|---------------------------------|--------------|--------------------------|----------------|---------------------------------|---------------|---------------------|
|   | As at June 30, 2019     | Additions  | Transfers from capital work-in-progress | Revaluation impact | Disposals   | Transfers   | As at June 30, 2020 | Accumulated as at June 30, 2019 | For the year | Accumulated on disposals | Transfers      | Accumulated as at June 30, 2020 |               | As at June 30, 2020 |
|   |                         |            |   |                    |             |             |                     |                                 |              |                          |                |                                 |               |                     |
| <b>Owned assets:</b>                                  |                         |            |   |                    |             |             |                     |                                 |              |                          |                |                                 |               |                     |
| Land - freehold (note 5.1.2)                          | 67,350,000              | -          | -                                       | 150,000            | -           | -           | 67,500,000          | -                               | -            | -                        | -              | -                               | -             | 67,500,000          |
| Buildings on freehold land: (note 5.1.2)              |                         |            |   |                    |             |             |                     |                                 |              |                          |                |                                 |               |                     |
| - Factory building                                    | 452,869,375             | -          | -                                       | 41,732,997         | -           | -           | 494,602,372         | 173,953,777                     | 15,181,927   | -                        | -              | 189,135,704                     | 305,466,668   | 5%                  |
| - Residential building                                | 105,437,171             | -          | -                                       | 19,095,472         | -           | -           | 124,532,643         | 39,432,563                      | 3,900,077    | -                        | -              | 43,332,640                      | 81,200,003    | 5%                  |
|   | 558,306,546             | -          | -                                       | 60,828,469         | -           | -           | 619,135,015         | 213,386,340                     | 19,082,004   | -                        | -              | 232,468,344                     | 386,666,671   |                     |
| Plant and machinery including generators (note 5.1.3) | 3,611,901,124           | 10,111,010 | -                                       | (198,983,376)      | -           | -           | 3,423,028,758       | 1,287,213,415                   | 108,576,397  | -                        | -              | 1,395,789,812                   | 2,027,238,946 | 5%                  |
| Power grid station                                    | 100,516,512             | -          | -                                       | -                  | -           | -           | 100,516,512         | 54,440,015                      | 2,303,825    | -                        | -              | 56,743,840                      | 43,772,672    | 5%                  |
| Gas installations                                     | 18,739,816              | -          | -                                       | -                  | -           | -           | 18,739,816          | 6,034,799                       | 635,251      | -                        | -              | 6,670,050                       | 12,069,766    | 5%                  |
| Electric installations                                | 64,942,247              | 351,708    | -                                       | -                  | -           | -           | 65,293,955          | 47,187,745                      | 1,781,311    | -                        | -              | 48,969,056                      | 16,324,899    | 10%                 |
| Factory equipments                                    | 4,731,093               | 30,000     | -                                       | -                  | -           | -           | 4,761,093           | 1,516,817                       | 321,678      | -                        | -              | 1,838,495                       | 2,922,598     | 10%                 |
| Office equipments                                     | 4,672,952               | 74,500     | -                                       | -                  | -           | -           | 4,747,452           | 2,617,030                       | 212,593      | -                        | -              | 2,829,623                       | 1,917,829     | 10%                 |
| Computer equipments                                   | 2,105,346               | 19,000     | -                                       | -                  | -           | -           | 2,124,346           | 1,464,297                       | 215,204      | -                        | -              | 1,679,501                       | 444,845       | 33%                 |
| Telephone installations                               | 616,224                 | -          | -                                       | -                  | -           | -           | 616,224             | 440,625                         | 17,560       | -                        | -              | 458,185                         | 158,039       | 10%                 |
| Furniture and fittings                                | 1,178,936               | -          | -                                       | -                  | -           | -           | 1,178,936           | 924,623                         | 25,431       | -                        | -              | 950,054                         | 228,882       | 10%                 |
| Arms and ammunition                                   | 27,800                  | -          | -                                       | -                  | -           | -           | 27,800              | 22,510                          | 529          | -                        | -              | 23,039                          | 4,761         | 10%                 |
| Weighting scale                                       | 2,476,075               | -          | -                                       | -                  | -           | -           | 2,476,075           | 911,359                         | 156,472      | -                        | -              | 1,067,831                       | 1,408,244     | 10%                 |
| Tube well   | 45,000                  | -          | -                                       | -                  | -           | -           | 45,000              | 37,282                          | 772          | -                        | -              | 38,054                          | 6,946         | 10%                 |
| Vehicles  | 34,568,726              | -          | -                                       | (5,932,500)        | 7,011,240   | -           | 35,647,466          | 26,101,534                      | 1,711,976    | (2,438,917)              | 2,961,507      | 28,336,100                      | 7,311,366     | 20%                 |
|   | 4,472,178,397           | 10,586,218 | -                                       | (138,004,907)      | (5,932,500) | 7,011,240   | 4,345,838,448       | 1,642,298,391                   | 135,041,003  | (2,438,917)              | 2,961,507      | 1,777,861,984                   | 2,567,976,464 |                     |
| <b>Right-of-use assets:</b>                           |                         |            |   |                    |             |             |                     |                                 |              |                          |                |                                 |               |                     |
| Vehicles  | 15,638,860              | -          | -                                       | -                  | -           | (7,011,240) | 8,627,620           | 4,150,823                       | 2,139,327    | -                        | (2,961,507)    | 3,328,643                       | 5,298,977     | 20%                 |
|   | 4,487,817,257           | 10,586,218 | -                                       | (138,004,907)      | (5,932,500) | -           | 4,354,466,068       | 1,646,449,214                   | 137,180,330  | (2,438,917)              | -              | 1,781,190,627                   | 2,573,275,441 |                     |

**PROPERTY, PLANT AND EQUIPMENT - continued**  
 Operating property, plant and equipment  
 For comparative year as at June 30, 2019

| PARTICULARS  | COST / REVALUED AMOUNTS |            |   |                       |           | DEPRECIATION CHARGE |                        |                                       |              | NET BOOK VALUE              |           | RATE          |                                       |                        |
|--|-------------------------|------------|---|-----------------------|-----------|---------------------|------------------------|---------------------------------------|--------------|-----------------------------|-----------|---------------|---------------------------------------|------------------------|
|  | As at<br>June 30, 2018  | Additions  | Transfers<br>from capital<br>work-in-<br>progress | Revaluation<br>impact | Disposals | Transfers           | As at<br>June 30, 2019 | Accumulated<br>as at<br>June 30, 2018 | For the year | Accumulated<br>on disposals | Transfers |               | Accumulated<br>as at<br>June 30, 2019 | As at<br>June 30, 2019 |
|  |                         |            |   |                       |           |                     |                        |                                       |              |                             |           |               |                                       |                        |
| <b>Owned assets:</b>   |                         |            |   |                       |           |                     |                        |                                       |              |                             |           |               |                                       |                        |
| Land - freehold (note 5.1.2)                                 | 67,350,000              | -          | -   | -                     | -         | -                   | 67,350,000             | -                                     | -            | -                           | -         | -             | 67,350,000                            |                        |
| Buildings on freehold land: (note 5.1.2)                     |                         |            |   |                       |           |                     |                        |                                       |              |                             |           |               |                                       |                        |
| - Factory building   | 448,157,929             | 4,711,446  | -   | -                     | -         | -                   | 452,869,375            | 159,429,194                           | 14,524,583   | -                           | -         | 173,953,777   | 278,915,598                           | 5%                     |
| - Residential building                                       | 105,437,171             | -          | -   | -                     | -         | -                   | 105,437,171            | 35,958,636                            | 3,473,927    | -                           | -         | 39,432,563    | 66,004,608                            | 5%                     |
|  | 553,595,100             | 4,711,446  | -   | -                     | -         | -                   | 558,306,546            | 195,387,830                           | 17,998,510   | -                           | -         | 213,386,340   | 344,920,206                           |                        |
| <b>Plant and machinery including generators (note 5.1.3)</b> |                         |            |   |                       |           |                     |                        |                                       |              |                             |           |               |                                       |                        |
| Power grid station   | 3,395,283,678           | 27,153,281 | 189,464,165                                       | -                     | -         | -                   | 3,611,901,124          | 1,170,181,271                         | 117,032,144  | -                           | -         | 1,287,213,415 | 2,324,687,709                         | 5%                     |
| Gas installations  | 100,516,512             | -          | -   | -                     | -         | -                   | 100,516,512            | 52,014,936                            | 2,425,079    | -                           | -         | 54,440,015    | 46,076,497                            | 5%                     |
| Electric installations                                       | 18,739,816              | -          | -   | -                     | -         | -                   | 18,739,816             | 5,366,114                             | 668,685      | -                           | -         | 6,034,799     | 12,705,017                            | 5%                     |
| Factory equipments   | 64,942,247              | -          | -   | -                     | -         | -                   | 64,942,247             | 45,215,022                            | 1,972,723    | -                           | -         | 47,187,745    | 17,754,502                            | 10%                    |
| Office equipments  | 4,731,093               | -          | -   | -                     | -         | -                   | 4,731,093              | 1,159,675                             | 357,142      | -                           | -         | 1,516,817     | 3,214,276                             | 10%                    |
| Computer equipments  | 4,610,952               | 62,000     | -   | -                     | -         | -                   | 4,672,952              | 2,394,335                             | 222,695      | -                           | -         | 2,617,030     | 2,055,922                             | 10%                    |
| Telephone installations                                      | 1,946,846               | 158,500    | -   | -                     | -         | -                   | 2,105,346              | 1,169,325                             | 294,972      | -                           | -         | 1,464,297     | 641,049                               | 33%                    |
| Furniture and fittings                                       | 616,224                 | -          | -   | -                     | -         | -                   | 616,224                | 421,114                               | 19,511       | -                           | -         | 440,625       | 175,599                               | 10%                    |
| Arms and ammunition  | 1,178,936               | -          | -   | -                     | -         | -                   | 1,178,936              | 896,366                               | 28,257       | -                           | -         | 924,623       | 254,313                               | 10%                    |
| Weighing scale   | 27,800                  | -          | -   | -                     | -         | -                   | 27,800                 | 21,922                                | 588          | -                           | -         | 22,510        | 5,290                                 | 10%                    |
| Tube well  | 2,476,075               | -          | -   | -                     | -         | -                   | 2,476,075              | 737,503                               | 173,856      | -                           | -         | 911,359       | 1,564,716                             | 10%                    |
| Vehicles   | 45,000                  | -          | -   | -                     | -         | -                   | 45,000                 | 36,424                                | 858          | -                           | -         | 37,282        | 7,718                                 | 10%                    |
|  | 35,325,726              | -          | -   | -                     | (757,000) | -                   | 34,568,726             | 24,510,220                            | 2,120,656    | (529,342)                   | -         | 26,101,534    | 8,467,192                             | 20%                    |
|  | 4,251,386,005           | 32,085,227 | 189,464,165                                       | -                     | (757,000) | -                   | 4,472,178,397          | 1,499,512,057                         | 143,315,676  | (529,342)                   | -         | 1,642,298,391 | 2,829,880,006                         |                        |
| <b>Right-of-use assets:</b>                                  |                         |            |   |                       |           |                     |                        |                                       |              |                             |           |               |                                       |                        |
| Vehicles   | 11,512,000              | 4,126,860  | -   | -                     | -         | -                   | 15,638,860             | 1,536,741                             | 2,614,082    | -                           | -         | 4,150,823     | 11,488,037                            | 20%                    |
|  | 4,262,898,005           | 36,212,087 | 189,464,165                                       | -                     | (757,000) | -                   | 4,487,817,257          | 1,501,048,798                         | 145,929,758  | (529,342)                   | -         | 1,646,449,214 | 2,841,368,043                         |                        |

5.1.1 Depreciation for the year has been allocated as follows:

|                         | Notes | 2020               | 2019               |
|-------------------------|-------|--------------------|--------------------|
|                         |       | Rupees             | Rupees             |
| Cost of sales           | 33    | 128,957,633        | 137,155,069        |
| Administrative expenses | 37    | 8,222,697          | 8,774,689          |
|                         |       | <u>137,180,330</u> | <u>145,929,758</u> |

5.1.2 The land is located at M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh, measuring 134.70 Kanals (16.84 Acres) with building having covered area of 272,239 (2019: 272,239) square feet.

**PROPERTY, PLANT AND EQUIPMENT - continued**

5.1.3 Revaluation of freehold land, building on freehold land and plant and machinery was carried out on November 11, 2019 by an independent valuer, M/s Joseph Lobo (Private) Limited. Revaluation surplus on land and building amounting to Rs. 52.740 million has been credited to surplus on revaluation of property, plant and equipment, net of related deferred tax. Devaluation on plant and machinery amounting to Rs. 172.035 million, net of related deferred tax, has been recognized against existing surplus on revaluation of plant and machinery. The revaluations were carried out as detailed below:

| Particulars of assets revalued                                    | Date of Revaluation |
|---|---------------------|
| Freehold land   | Dec 31, 2007        |
| Buildings on freehold land and plant and machinery                | Jun 30, 2008        |
| Freehold land, buildings on freehold land and plant and machinery | Jun 22, 2010        |
| Freehold land, buildings on freehold land and plant and machinery | Jun 22, 2013        |
| Freehold land, buildings on freehold land and plant and machinery | Jun 26, 2016        |
| Freehold land, buildings on freehold land and plant and machinery | Nov 11, 2019        |

5.1.4 Basis used for latest revaluation of assets were as follows:

| Particulars of assets revalued           | Basis of valuation  |
|--|---|
| Freehold land                            | Inquiries from estate agents and brokers for similar plots in the vicinity.                                       |
| Buildings on freehold land               | Present cost of similar construction and structure (including amenities) after applying appropriate depreciation. |
| Plant and machinery including generators | Evaluated present values of similar machinery based on make, model, specification and condition.                  |

The fair values of all assets subject to revaluation model fall under level 2 of fair value hierarchy (i.e. significant observable inputs).

5.1.5 The Forced Sales Values of the revalued assets as on the date of latest revaluation i.e. November 11, 2019 was Rs. 1,900,000 million.

5.1.6 Had there been no revaluations, the related net book values of freehold land, buildings on freehold land and plant and machinery including generators would have been as follows:

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
|  | Rupees               | Rupees               |
| Freehold land                            | 1,834,237            | 1,834,237            |
| Buildings on freehold land               | 111,771,609          | 117,654,325          |
| Plant and machinery including generators | 1,821,736,320        | 1,907,255,399        |
|  | <u>1,935,342,166</u> | <u>2,026,743,961</u> |

5.1.7 Property, plant and equipment have restrictions on title as these are subject to charges to secure bank borrowings as mentioned in note 22 and note 27.4.

**5.2 Capital work-in-progress**

|  |               |
|--|---------------|
| Opening balance                                      | 401,751       |
| Additions during the year                            | 189,062,414   |
| Transfers to operating property, plant and equipment | (189,464,165) |
| Closing balance                                      | -             |

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>6. INVESTMENT PROPERTY</b>   |              |                        |                        |
| Land - at cost  | <b>6.1</b>   | <b>43,311,500</b>      | 43,311,500             |
| <p><b>6.1</b> This commercial land measuring 4 Marlas was acquired during 2018, at Defence Housing Authority (DHA), Lahore. Future use of this land is currently undetermined. The land is measured at cost model and no expenditures were incurred on it subsequent to its purchase. Moreover, there are no transfers to / from owned assets.</p> <p>There are no restrictions as to title of this land. However, as per acquisition terms, the Company has obligation to construct it within three years of purchase, failing which a non-construction penalty will be payable as per DHA policy till commencement of construction.</p> |              |                        |                        |
| <b>7. INTANGIBLE ASSETS</b>   |              |                        |                        |
| <b>Computer Software</b>  |              |                        |                        |
| <b>Cost</b>   |              | <b>1,430,092</b>       | 1,430,092              |
| <b>Accumulated amortization:</b>  |              |                        |                        |
| Opening Balance   |              | <b>(1,307,375)</b>     | (1,021,357)            |
| Amortization charge for the year  | <b>37</b>    | <b>(46,018)</b>        | (286,018)              |
| Closing balance   |              | <b>(1,353,393)</b>     | (1,307,375)            |
| <b>Book value as on June 30</b>   |              | <b>76,699</b>          | 122,717                |
| <b>Rate of amortization</b>   |              | <b>20%</b>             | 20%                    |
| <b>8. LONG TERM DEPOSITS</b>  |              |                        |                        |
| Security deposits against:  |              |                        |                        |
| Utilities   | <b>8.1</b>   | <b>4,622,377</b>       | 4,622,377              |
| Right-of-use assets subject to lease liabilities  |              | <b>1,240,000</b>       | 1,885,400              |
| Others  |              | <b>555,000</b>         | 555,000                |
|   |              | <b>6,417,377</b>       | 7,062,777              |
| Margin deposit against bank guarantee   | <b>8.2</b>   | <b>6,200,000</b>       | 6,200,000              |
|   |              | <b>12,617,377</b>      | 13,262,777             |
| <p><b>8.1</b> These include security deposits of Rs. 4.590 million (2019: Rs. 4.590 million) deposited with Multan Electric Power Company (MEPCO) against Electric Connections at mills.</p> <p><b>8.2</b> This had been kept as cash margin against a bank guarantee issued in favor of Sui Northern Gas Pipelines Limited (SNGPL).</p>  |              |                        |                        |

|  | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|--|--------------|------------------------|------------------------|
| <b>9. LONG TERM INVESTMENT</b>   |              |                        |                        |
| Amortized cost:  |              |                        |                        |
| Opening balance  |              | 17,837,014             | -                      |
| Addition during the year   |              | 1,900,000              | 17,700,000             |
| Profit for the year  |              | -                      | 137,014                |
|  |              | 1,900,000              | 17,837,014             |
| Redeemed during the year   |              | (19,600,000)           | -                      |
| Profit written off   | 38           | (137,014)              | -                      |
|  |              | -                      | 17,837,014             |
| <b>9.1</b> These represented the Sales Tax Refund Bonds received by the Company during 2019, in its Central Depository Company (CDC) account, against sales tax refunds under section 67A of the Sales Tax Act, 1990. These were subject to simple annual profit at the rate of 10% per annum payable on maturity of three years. However, these have been redeemed during the year and the profit earlier recorded by the Company has been written off. |              |                        |                        |
| <b>10. STORES, SPARE PARTS AND LOOSE TOOLS</b>   |              |                        |                        |
| Stores   |              | 30,069,385             | 31,136,145             |
| Spare parts  | 10.1         | 47,757,125             | 29,067,268             |
| Loose tools  |              | 706,638                | 902,750                |
| Less: allowance for obsolescence and slow moving items   | 10.2         | (198,520)              | (165,474)              |
|  |              | 78,334,628             | 60,940,689             |
| <b>10.1</b> These include machinery parts in transit amounting to Rs. 12.101 million (2019: nil)   |              |                        |                        |
| <b>10.2 Allowance for obsolescence and slow moving items</b>   |              |                        |                        |
| Opening balance  |              | 165,474                | 130,703                |
| Add: Provision made during the year  | 33           | 33,046                 | 34,771                 |
| Closing balance  |              | 198,520                | 165,474                |
| <b>11. STOCK-IN-TRADE</b>  |              |                        |                        |
| Raw material   | 33.1         | 522,685,648            | 634,847,304            |
| Work-in-process  | 33           | 71,711,245             | 73,290,934             |
| Finished goods   | 33           | 504,194,033            | 400,422,104            |
|  | 11.1         | 1,098,590,926          | 1,108,560,342          |
| <b>11.1.</b> Stock-in-trade has been measured at lower of cost and net realizable value. Adjustments amounting to Rs. 10.995 million (2019: nil) have been made to closing inventory to write down stocks to their net realizable value.   |              |                        |                        |
| <b>12. TRADE DEBTS</b>   |              |                        |                        |
| <b>Considered good</b>   |              |                        |                        |
| Foreign  | 12.1         | 71,289,976             | 5,871,884              |
| Local - unsecured  |              | 538,158,416            | 475,661,842            |
|  | 12.2         | 609,448,392            | 481,533,726            |
| <b>12.1</b> Out of total foreign debtors, Rs. 18.534million (2019:Rs. 5.872million) are secured against Letters of Credits.  |              |                        |                        |

**TRADE DEBTS - continued**

**12.2** Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition, where appropriate. All trade debts are non-interest bearing. Ageing of trade debts, outstanding as at reporting date, is as follows:

| Year   | Total       | Neither past due nor impaired (less than 90 days) | Past due but not impaired |              |  |
|--------|-------------|---|---------------------------|--------------|--|
|        |             |   | 90-180 days               | 181-365 days | More than one year but less than two years |
| Rupees |             |   |                           |              |  |
| 2020   | 609,448,392 | 572,038,742                                       | 26,078,014                | 11,321,005   | 10,631                                     |
| 2019   | 481,533,726 | 467,956,703                                       | 5,868,107                 | 3,424,513    | 4,284,403                                  |

|   | Notes  | 2020<br>Rupees    | 2019<br>Rupees     |
|---|--------|-------------------|--------------------|
| <b>13. LOANS AND ADVANCES - considered good</b>   |        |                   |                    |
| <b>Advance payments:</b>  |        |                   |                    |
| To employees  |        |                   |                    |
| Executives / key management personnel   | 13.1   | 57,000            | -                  |
| Others  |        | 1,001,255         | 718,264            |
|   |        | 1,058,255         | 718,264            |
| To suppliers  |        | 15,249,563        | 20,313,711         |
| <b>Income tax</b>   |        | 79,659,821        | 90,749,017         |
| <b>Letters of credits</b>   |        | 17,008            | 6,570              |
|   |        | <b>95,984,647</b> | <b>111,787,562</b> |
| <b>13.1</b> The maximum aggregate amount due from executives / key management personnel at any month end during the year was Rs. 0.163 million (2019: Rs. 1.312 million). These advances were not impaired and aged less than one year. |        |                   |                    |
| <b>14. DUE FROM GOVERNMENT</b>  |        |                   |                    |
| Sales tax   |        | 11,214,770        | 27,018,156         |
| Income tax  |        | 42,094,519        | 30,516,050         |
| Duty drawback of taxes on export sales  |        | -                 | 241,589            |
|   |        | <b>53,309,289</b> | <b>57,775,795</b>  |
| <b>15. OTHER RECEIVABLES</b>  |        |                   |                    |
| Provisional payments of taxes   | 15.1   | 3,018,536         | 2,472,623          |
| Others  | 15.2   | 4,086,631         | 3,636,882          |
|   |        | <b>7,105,167</b>  | <b>6,109,505</b>   |
| <b>15.1</b> This comprises of following:  |        |                   |                    |
| Demand for income tax - tax year 2012   |        | -                 | 374,279            |
| Demand for Sales tax - various periods  | 31.1.4 | 198,344           | 198,344            |
| Payments under the Duty and Tax Remission on Exports (DTRE) scheme  | 31.1.2 | 2,820,192         | 1,900,000          |
|   |        | <b>3,018,536</b>  | <b>2,472,623</b>   |
| <b>15.2</b> These include a demand draft of Rs. 3.576 million (2019: Rs. 3.576 million) paid to Excise and Taxation Department as mentioned in note 31.1.1.   |        |                   |                    |

|  | <u>Notes</u> | <u>2020<br/>Rupees</u> | <u>2019<br/>Rupees</u> |
|--|--------------|------------------------|------------------------|
| <b>16. SHORT TERM INVESTMENTS</b>  |              |                        |                        |
| <i>At fair value through profit or loss</i>  |              | <b>46,680</b>          | 52,000                 |
| <p>The Company holds 4,000 (2019: 4,000) shares of a listed company (Lalpir Power Limited). The face value of the shares is Rs. 10 per share. These shares have been valued at the market price prevailing on Pakistan Stock Exchange Limited as at the reporting date. During the year, unrealized loss of Rs. 0.005 million (2019: Rs. 0.025 million) on remeasurement of these investments has been recorded in other operating expenses.</p> |              |                        |                        |
| <b>17. CASH AND BANK BALANCES</b>  |              |                        |                        |
| Cash in hand   |              | <b>1,019,916</b>       | 312,993                |
| Cash at banks - in current accounts  |              | <b>11,322,794</b>      | 16,452,250             |
|  | <b>42.2</b>  | <b>12,342,710</b>      | 16,765,243             |
| <b>18. SHARE CAPITAL</b>   |              |                        |                        |
| Authorized share capital:  |              |                        |                        |
| 20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each.  |              | <b>200,000,000</b>     | 200,000,000            |
| Issued, subscribed and paid up share capital:  |              |                        |                        |
| 14,408,248.8 (2019: 14,408,248.8) ordinary shares of Rs.10 each issued for cash.   |              | <b>144,082,488</b>     | 144,082,488            |
| <b>18.1</b> There is no movement in share capital during the reporting years.  |              |                        |                        |
| <b>18.2</b> The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.  |              |                        |                        |
| <b>19. SHARE PREMIUM</b>   |              |                        |                        |
| <p>This includes share premium received during the previous years as detailed below:</p>   |              |                        |                        |
| Rs. 4 per share on 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001  |              | <b>11,959,680</b>      | 11,959,680             |
| Rs. 10 per share on 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004   |              | <b>11,389,920</b>      | 11,389,920             |
| Rs. 5 per share on 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007  |              | <b>9,396,684</b>       | 9,396,684              |
|  |              | <b>32,746,284</b>      | 32,746,284             |

## 20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

**20.1** As detailed in note 5.1.3, revaluation of freehold land, building on freehold land and plant and machinery was carried out on November 11, 2019. The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders of the Company.

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>20.2</b> The breakup of revaluation surplus at the reporting date is as follows: |              |                        |                        |
| Opening balance   |              | <b>742,422,219</b>     | 773,129,285            |
| Impact of revaluation carried out during the year - net                             |              | <b>(138,004,907)</b>   | -                      |
| Relevant deferred tax   | <b>25.1</b>  | <b>18,710,319</b>      | -                      |
|   |              | <b>(119,294,588)</b>   | -                      |
| Less: Transferred to unappropriated profit on account of:                           |              |                        |                        |
| Incremental depreciation  |              | <b>(28,915,029)</b>    | (35,380,677)           |
| Relevant deferred tax   |              | <b>3,915,961</b>       | 4,673,611              |
|   |              | <b>(24,999,068)</b>    | (30,707,066)           |
| Closing balance   |              | <b>598,128,563</b>     | 742,422,219            |

## 21. SUBORDINATED LOANS

### *Unsecured- from related parties*

|                          |             |                    |             |
|--------------------------|-------------|--------------------|-------------|
| Mr. Muhammad Javed Anwar |             | <b>27,500,000</b>  | 27,500,000  |
| Mr. Muhammad Haris       |             | <b>35,000,000</b>  | 35,000,000  |
| Mr. Muhammad Jahanzaib   |             | <b>6,875,000</b>   | 6,875,000   |
| Mr. Muhammad Aurangzeb   |             | <b>6,875,000</b>   | 6,875,000   |
| Mr. Ahmad Hassan         |             | <b>6,875,000</b>   | 6,875,000   |
| Mrs. Faiza Parvez        |             | <b>3,437,500</b>   | 3,437,500   |
| Mrs. Waheeda Parvez      |             | <b>18,437,500</b>  | 18,437,500  |
|                          | <b>21.1</b> | <b>105,000,000</b> | 105,000,000 |

**21.1** These interest free loans were obtained during the years ended June 30, 2008 and 2009. These loans are subordinated to finances from the banks. These are repayable at the discretion of the Company after the repayments of related long term and short term finances and clearance from the banks. Hence, repayment terms are not identified.

**22. LONG TERM LOANS AND FINANCING**  
*From banking companies - secured*

| Name of the Bank / Type of Facility | Collaterals / Securities  | 2020 Rupees        | 2019 Rupees | Total no. of installments | No. of installments deferred (note 22.3) | Remaining no. of installments | Frequency of payment | Repayment commencing from | Rate of markup         |
|-------------------------------------|---|--------------------|-------------|---------------------------|--|-------------------------------|----------------------|---------------------------|------------------------|
| <b>Habib Bank Limited (HBL)</b>     |   |                    |             |                           |  |                               |                      |                           |                        |
| Demand Finance (note 22.1)          | - Joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of sponsoring directors of the Company.<br>- Subordination of loans from related parties. | -                  | 10,571,430  | 48                        | -  | -                             | Monthly              | 27-Jul-16                 | 6 Months KIBOR + 1.50% |
|                                     |   | -                  | 10,571,430  |                           |  |                               |                      |                           |                        |
| <b>Allied Bank Limited (ABL)</b>    |   |                    |             |                           |  |                               |                      |                           |                        |
| LTFI - I - Part 1                   | - Joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of sponsoring directors of the Company.   | 21,507,619         | 25,809,144  | 12                        | 2  | 5                             | Semi Annual          | 23-Dec-16                 | 08-May-23              |
| LTFI - I - Part 2 (A)               | - Personal guarantees of sponsoring directors of the Company.   | 14,856,556         | 20,799,178  | 12                        | 2  | 5                             | Semi Annual          | 07-Mar-17                 | 08-May-23              |
| LTFI - I - Part 2 (B)               | - Subordination of loans from related parties.  | -                  | 945,819     | 12                        | -  | -                             | Semi Annual          | 02-Dec-16                 | -                      |
| LTFI - II                           | - Joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of sponsoring directors of the Company.   | 99,016,431         | 123,770,537 | 12                        | 2  | 8                             | Semi Annual          | 24-Oct-18                 | SBP Rate + 1.50%       |
| LTFI - III (note 22.2)              | - Joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of sponsoring directors of the Company.   | 46,756,446         | -           | 8                         | 8  | 8                             | Quarterly            | 31-Jan-21                 | SBP Rate + 2.00%       |
|                                     |   | <b>182,137,052</b> | 171,324,678 |                           |  |                               |                      |                           |                        |
| <b>United Bank Limited (UBL)</b>    |   |                    |             |                           |  |                               |                      |                           |                        |
| Demand Finance (NIDF)               | - Joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of sponsoring directors of the Company.   | 16,841,598         | 22,455,465  | 12                        | 2  | 3                             | Semi Annual          | 24-Dec-15                 | 6 Months KIBOR + 1.50% |
| LTFI                                | - Subordination of loans from related parties.  | 9,790,080          | 16,316,800  | 10                        | 2  | 3                             | Semi Annual          | 15-Jan-17                 | SBP Rate + 3.00%       |
|                                     |   | <b>26,631,678</b>  | 38,772,265  |                           |  |                               |                      |                           |                        |
| <b>Bank Alfalah Limited (BAFL)</b>  |   |                    |             |                           |  |                               |                      |                           |                        |
| LTFI                                | - 1st exclusive charge over specific machinery and joint pari passu charge on present and future fixed assets of the Company.<br>- Personal guarantees of working directors of the Company.     | -                  | 5,656,830   | 20                        | -  | -                             | Quarterly            | 05-Mar-15                 | SBP Rate + 2.50%       |
| Term Finance (TFI)                  | - Personal guarantees of working directors of the Company.  | -                  | 7,997,942   | 20                        | -  | -                             | Quarterly            | 05-Mar-15                 | 6 Months KIBOR + 1.50% |
| Term Finance (TFI)                  | - Subordination of loans from related parties.  | 10,533,120         | 18,432,960  | 20                        | 4  | 4                             | Quarterly            | 05-Jun-16                 | 05-Mar-22              |
|                                     |   | <b>10,533,120</b>  | 32,087,732  |                           |  |                               |                      |                           |                        |

## Long term loans and financing - continued

| Name of the Bank / Type of facility | Collaterals / Securities   | 2020 Rupees       | 2019 Rupees       | Total no. of installments | No. of installments deferred (note 22.3) | Remaining no. of installments | Frequency of payment | Repayment commencing from | (Revised) maturity date | Rate of markup         |
|-------------------------------------|--|-------------------|-------------------|---------------------------|--|-------------------------------|----------------------|---------------------------|-------------------------|------------------------|
| <b>Bank Al Habib Limited (BAHL)</b> |  |                   |                   |                           |  |                               |                      |                           |                         |                        |
| Term Finance - III                  | - First exclusive charge over specific machineries and allied parts and joint pari passu charge on present and future fixed assets of the Company. | -                 | 4,672,092         | 20                        | -  | -                             | Quarterly            | 16-Nov-14                 | -                       | 6 Months KIBOR + 1.50% |
| Term Finance - VI                   |  | -                 | 4,050,000         | 20                        | -  | -                             | Quarterly            | 17-Mar-15                 | -                       |                        |
| Term Finance - VII                  |  | 1,917,749         | 2,343,916         | 24                        | -  | 18                            | Quarterly            | 17-Feb-19                 | 17-Nov-24               |                        |
| Term Finance - VIII                 | - Personal Guarantees of sponsoring directors of the Company.  | 19,629,251        | 24,203,084        | 24                        | -  | 17                            | Quarterly            | 28-Dec-18                 | 30-Sep-24               |                        |
| Term Finance - X                    | - Promissory notes.  | 7,656,771         | 12,048,400        | 36                        | -  | 20 to 22                      | Monthly              | 25-Mar-19                 | 05-Apr-22               |                        |
|                                     |  | <b>29,203,771</b> | <b>47,317,492</b> |                           |  |                               |                      |                           |                         |                        |

**National Bank of Pakistan (NBP)**

|  |   |                    |                    |    |   |    |           |           |           |                        |
|--|---|--------------------|--------------------|----|---|----|-----------|-----------|-----------|------------------------|
| Demand Finance                             | - Joint Pari Passu charge on fixed assets of the Company.     | 11,443,607         | 14,964,719         | 24 | 4 | 13 | Quarterly | 09-Nov-17 | 07-Aug-24 | 6 Months KIBOR + 1.50% |
| Demand Finance - II / LTF - II (note 22.5) | - Personal Guarantees of sponsoring directors of the Company. | 159,126,379        | 166,044,917        | 24 | 4 | 23 | Quarterly | 12-May-20 | 12-Feb-27 | SBP Rate + 1.50%       |
| LTF - I                                    |   | 39,339,718         | 49,830,310         | 24 | 4 | 15 | Quarterly | 07-May-18 | 07-Feb-25 | SBP Rate + 1.50%       |
|  |   | <b>209,909,704</b> | <b>230,839,946</b> |    |   |    |           |           |           |                        |

**Soneri Bank Limited**

|     |   |                    |                    |    |   |    |             |           |           |                  |
|-----|---|--------------------|--------------------|----|---|----|-------------|-----------|-----------|------------------|
| LTF | - Joint pari passu charge over present and future fixed assets of the Company.<br>- Personal Guarantees of sponsoring directors of the Company.<br>- Subordination of loans from related parties. | 92,857,156         | 111,428,578        | 14 | 2 | 10 | Semi Annual | 15-Jul-18 | 15-Jan-26 | SBP Rate + 3.00% |
|     |   | <b>92,857,156</b>  | <b>111,428,578</b> |    |   |    |             |           |           |                  |
|     |   | <b>551,272,481</b> | <b>642,342,121</b> |    |   |    |             |           |           |                  |

Adjustment pertaining to fair value of loan at below market interest rate:

 Difference of loan received and fair value of loan  
 Amortization of loan

|             |   |
|-------------|---|
| (4,576,438) | - |
| 293,000     | - |
| (4,283,438) | - |

Note 24

|  |                    |                    |
|--|--------------------|--------------------|
| Total loans and finances   | 546,989,043        | 642,342,121        |
| Less: Current portion classified under current liabilities (note 28) | (37,132,333)       | (149,744,213)      |
| Long term loans and finances   | <b>509,856,710</b> | <b>492,597,908</b> |

**Long term loans and financing - continued**

- 22.1** Demand finance from HBL has been fully paid during the year. However, securities have not yet been vacated.
- 22.2** This represents long term finance received from Allied Bank Limited under 'Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns' (the Scheme) introduced by State Bank of Pakistan to support the industry during COVID-19 period. According to conditions of the Scheme, the Company has provided an undertaking to not lay off its workers / employees at least during three months from the date of first disbursement (June 24, 2020) except in case of any disciplinary action. The total facility available under this scheme amounts to Rs. 83,000 million (2019: nil), of which Rs. 36,243 million (2019: nil) remained unutilized at the reporting date.
- 22.3** During the year, principal repayments for some finances have been deferred for one year as per COVID-19 pandemic relief package of the State Bank of Pakistan. However, Bank Alfalah Limited will not defer the loan beyond the date of effectiveness of demerger of the Company as stated in note 1.1.
- 22.4** Effective rate of markup ranged from 3.50% to 14.99% (2019: 3.50% to 12.48%) per annum.
- 22.5** During the year, this loan has been converted to LTFF - II. Accordingly, the markup rate has been revised from 6MK + 1.5% per annum to SBP rate + 1.5% per annum.

| <b>23. LEASE LIABILITIES</b>              | <b>Notes</b> | <b>2020</b>        | <b>2019</b>        |
|---|--------------|--------------------|--------------------|
| <b>From banking companies - secured</b>   |              | <b>Rupees</b>      | <b>Rupees</b>      |
| Opening balance                           |              | <b>10,509,835</b>  | 9,329,663          |
| Avalied during the year                   |              | -                  | 4,028,000          |
| Less: Payments made during the year       |              | <b>(6,070,577)</b> | <b>(2,847,828)</b> |
|   |              | <b>4,439,258</b>   | 10,509,835         |
| Less: Current portion                     | <b>28</b>    | <b>(2,331,052)</b> | <b>(3,489,135)</b> |
| Installment due within next twelve months |              | <b>2,108,206</b>   | <b>7,020,700</b>   |

**23.1** The Company acquired vehicles under lease arrangements from banking companies. These liabilities, during the year, were subject to finance cost charged at the rate ranging from 14.35% to 20.02% (2019: 8.90% to 16.13%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease term. The lease finance facilities are secured against postdated cheques given by the Company.

**23.2** Reconciliation of minimum lease payments and their present value is as follows:

|  | 2020                   |   | 2019                   |   |
|--|------------------------|---|------------------------|---|
|  | Minimum Lease Payments | Present Value of Minimum Lease Payments | Minimum Lease Payments | Present Value of Minimum Lease Payments |
|  | <i>Rupees</i>          |   |                        |   |
| Within one year                                | <b>2,697,049</b>       | <b>2,331,053</b>                        | 4,542,645              | 3,489,135                               |
| After one year but not later than five years   | <b>2,139,022</b>       | <b>2,108,206</b>                        | 7,592,895              | 7,020,700                               |
|  | <b>4,836,071</b>       | <b>4,439,259</b>                        | 12,135,540             | 10,509,835                              |
| Less: Finance cost allocated to future periods | <b>(396,812)</b>       | -                                       | (1,625,705)            | -                                       |
| Present value of minimum lease payments        | <b>4,439,259</b>       | <b>4,439,259</b>                        | 10,509,835             | 10,509,835                              |
| Less: Current portion                          | <b>(2,331,053)</b>     | <b>(2,331,053)</b>                      | (3,489,135)            | (3,489,135)                             |
|  | <b>2,108,206</b>       | <b>2,108,206</b>                        | 7,020,700              | 7,020,700                               |

| <b>24. DEFERRED INCOME - GOVERNMENT GRANT</b>                     | <b>Notes</b> | <b>2020</b>        | <b>2019</b>   |
|---|--------------|--------------------|---------------|
|   |              | <b>Rupees</b>      | <b>Rupees</b> |
| Government grant recognized on loan at below market interest rate | <b>22.2</b>  | <b>4,576,438</b>   | -             |
| Less: amortized to statement of profit or loss                    | <b>39</b>    | <b>(293,000)</b>   | -             |
|   |              | <b>4,283,438</b>   | -             |
| Current portion   | <b>28</b>    | <b>(2,674,588)</b> | -             |
|   |              | <b>1,608,850</b>   | -             |

**24.1** Due to the effects of COVID-19 pandemic, as stated in note 2, the State Bank of Pakistan (SBP) took various measures to support the economy. As a part of it, SBP introduced a refinance scheme as detailed in note 22.2. The Company availed this scheme and recognized government grant in accordance with IAS-20 'Accounting for government grants and disclosure of government assistance'.

|   | <u>Notes</u> | <u>2020</u><br>Rupees | <u>2019</u><br>Rupees |
|---|--------------|-----------------------|-----------------------|
| <b>25. DEFERRED TAXATION - net</b>  |              |                       |                       |
| The net deferred taxation liability comprises of tax on temporary differences arising due to:   |              |                       |                       |
| <i>Credit balance arising in respect of:</i>  |              |                       |                       |
| - Accelerated tax depreciation allowances and surplus on revaluation of property, plant and equipment   |              | 246,614,249           | 260,810,069           |
| - Exchange gain   |              | 128,031               | 170,946               |
| - Profit on Sales Tax Refund Bonds  |              | -                     | 18,099                |
| <i>Debit balance arising in respect of:</i>   |              |                       |                       |
| - Unused tax losses   |              | (6,016,252)           | (3,694,639)           |
| - Minimum tax paid in excess of normal tax  |              | (51,178,088)          | (42,425,063)          |
| - Provisions  |              | (2,082,776)           | (921,194)             |
|   |              | <b>187,465,164</b>    | <b>213,958,218</b>    |
| <b>25.1 Reconciliation of deferred tax liability is as follows:</b>   |              |                       |                       |
| Opening deferred tax liability  |              | 213,958,218           | 206,075,724           |
| <i>(Reversal) / charge for the year:</i>  |              |                       |                       |
| To statement of profit or loss  | 40           | (7,782,735)           | 7,882,494             |
| To statement of other comprehensive income  | 20.2         | (18,710,319)          | -                     |
| Closing deferred tax liability  |              | <b>187,465,164</b>    | <b>213,958,218</b>    |
| <b>25.2</b> The deferred tax asset on minimum tax of Rs. 9.974 million (2019: nil) relating to tax year 2016 has not been recognized in these financial statements as the management estimates that sufficient taxable profits will not be available in near future against which these deductible temporary differences can be utilized. This minimum tax would expire in the year 2021. |              |                       |                       |
| <b>26. TRADE AND OTHER PAYABLES</b>   |              |                       |                       |
| Creditors   |              | 583,477,776           | 489,582,778           |
| Advances from customers - unsecured   |              | 9,389,250             | 5,780,867             |
| Accrued liabilities   | 26.1         | 204,012,160           | 168,499,382           |
| Taxes deducted at source  |              | 9,018,563             | 10,456,682            |
| Sales tax payable   |              | 39,932,817            | -                     |
| Workers' Profit Participation Fund  | 26.2         | 10,422,710            | 6,808,249             |
| Workers' Welfare Fund   | 26.3         | 3,960,630             | 280,575               |
|   |              | <b>860,213,906</b>    | <b>681,408,533</b>    |

**26.1** These include Rs. 1.012 million (2019: Rs. 1.012 million) being salary payable to chief executive and directors, Rs. 1.083 million (2019: Rs. 1.001 million) being salary payable to executives / key management personnel and Rs. 0.250 million (2019: Rs. 0.250 million) payable to a director in respect of head office rent.

|  |  | 2020               | 2019                 |
|--|--|--------------------|----------------------|
|  | <u>Notes</u>   | <u>Rupees</u>      | <u>Rupees</u>        |
| <b>TRADE AND OTHER PAYABLES - continued</b>  |  |                    |                      |
| <b>26.2 Workers' Profit Participation Fund</b>                                       |  |                    |                      |
| Balance at the beginning of the year   |  | 6,808,249          | 3,435,549            |
| Add: Allocation for the year   | 38   | 10,422,710         | 6,808,249            |
| Interest on Workers' Profit Participation Fund                                       | 39   | 355,475            | 125,280              |
|  |  | <u>17,586,434</u>  | <u>10,369,078</u>    |
| Less: Payment made during the year   |  | <u>(7,163,724)</u> | <u>(3,560,829)</u>   |
|  |  | <u>10,422,710</u>  | <u>6,808,249</u>     |
| <b>26.3 Workers' Welfare Fund</b>  |  |                    |                      |
| Balance at the beginning of the year   |  | 280,575            | 280,575              |
| Add: Provision for the year  | 38   | 3,680,055          | -                    |
| Less: Payment made during the year   |  | -                  | -                    |
|  |  | <u>3,960,630</u>   | <u>280,575</u>       |
| <b>27. SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES</b> |  |                    |                      |
| <b>From banking companies - secured</b>  |  |                    |                      |
| Short term running finances  | 27.1 & 42.2  | 175,740,601        | 279,985,896          |
| Short term finances (other than running finances)                                    | 27.1   | 699,629,532        | 820,814,769          |
| Export finances  | 27.2 & 27.3  | 45,537,100         | 37,900,000           |
|  | 27.3 & 27.4  | <u>920,907,233</u> | <u>1,138,700,665</u> |
| <b>27.1</b>  | Short term finance facilities available from commercial banks under markup arrangements aggregate to Rs. 1,750.458 million (2019: Rs. 1,757.013 million) of which facilities aggregating Rs. 875.088 million (2019: Rs. 656.212 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 8.19% to 16.31% (2019: 7.67% to 15.30%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2021. Moreover, out of total facilities, facilities amounting Rs. 125.000 million from United Bank Limited have expired on February 28, 2020, renewal of which is under process. |                    |                      |
| <b>27.2</b>  | The Company has obtained export finance facilities (including facilities for foreign currency finances and foreign bills purchase) from commercial banks aggregating to Rs. 950.055 million (2019: Rs. 1,147.987 million) of which facilities aggregating Rs. 904.518 million (2019: Rs. 1,110.087 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 2.25% to 15.49% (2019: 7.16% to 14.99%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2021.   |                    |                      |
| <b>27.3</b>  | Facilities available for issuance of letters of credit, inland bills purchase and bank guarantees aggregate to Rs. 580.979 million (2019: Rs. 574.000 million) which include One Time Transaction (OTT) facility of Rs. 7.500 million (2019: nil). Facilities aggregating Rs. 486.211 million (2019: Rs. 486.450 million) remained unutilized at year end. These facilities are expiring, if not renewed, on various dates by March 31, 2021.  |                    |                      |
| <b>27.4</b>  | The aggregate facilities are secured against pledge of stocks, ranking charge and joint pari passu charge on present and future current and fixed assets of the Company, lien on import/export documents, buy back indemnities, promissory notes, counter guarantees of the company, trust receipts, subordination of loans from related parties and personal guarantees of sponsoring directors of the Company along with their personal net worth statements. The carrying value of pledged goods as on June 30, 2020 is Rs. 714.154 million (2019: Rs. 918.682 million).  |                    |                      |

|  | <u>Notes</u> | <u>2020</u><br><u>Rupees</u> | <u>2019</u><br><u>Rupees</u> |
|--|--------------|------------------------------|------------------------------|
| <b>28. CURRENT PORTION OF NON-CURRENT LIABILITIES</b>                    |              |                              |                              |
| <i>Long term loans and financing - form banking companies - secured:</i> |              |                              |                              |
| Habib Bank Limited   |              | -                            | 10,571,430                   |
| Allied Bank Limited  |              | 15,990,635                   | 39,615,052                   |
| Bank Alfalah Limited   |              | 2,633,280                    | 24,187,893                   |
| Bank Al Habib Limited  |              | 9,391,628                    | 18,113,720                   |
| National Bank of Pakistan  |              | 3,502,926                    | 20,930,242                   |
| Soneri Bank Limited  |              | -                            | 18,571,422                   |
| United Bank Limited  |              | 5,613,864                    | 17,754,454                   |
|  | <b>22</b>    | <b>37,132,333</b>            | 149,744,213                  |
| <i>Lease liabilities - secured</i>                                       | <b>23</b>    | 2,331,052                    | 3,489,135                    |
| <i>Deferred income - government grant</i>                                | <b>24</b>    | 2,674,588                    | -                            |
|  |              | <b>42,137,973</b>            | 153,233,348                  |
| <b>29. ACCRUED FINANCE COST - secured</b>                                |              |                              |                              |
| Long term loans and financing  |              | 8,047,346                    | 14,399,170                   |
| Short term finances  |              | 29,599,095                   | 38,140,820                   |
|  |              | <b>37,646,441</b>            | 52,539,990                   |
| <b>30. PROVISION FOR TAXATION</b>  |              |                              |                              |
| Opening Balance  |              | 70,795,589                   | 31,838,391                   |
| Add: provision made during the year                                      | <b>40</b>    | 89,459,301                   | 70,795,589                   |
| (Less) / add: prior year adjustment                                      |              | (10,432,881)                 | 9,723,083                    |
| Payments / adjustments against completed assessments                     |              | (60,362,708)                 | (41,561,474)                 |
| Closing balance  |              | <b>89,459,301</b>            | 70,795,589                   |

**30.1** The Deputy Commissioner Inland Revenue, Multan passed an order dated June 30, 2017 under section 121(1)(d) of the Income Tax Ordinance, 2001 raising demand of Rs. 285.655 million for tax year 2011. The Company filed an appeal with the Commissioner Inland Revenue-Appeals (CIR-Appeals), Multan contending that the impugned order was barred by time limitation and was made ex-parte on the same date as the date of receipt of show cause notice. The CIR-Appeals annulled the impugned order and decided the case in favor of the Company through its order dated October 31, 2017. However, the Commissioner Inland Revenue (Multan Zone) filed an appeal with the Appellate Tribunal Inland Revenue Lahore in February, 2018. The appeal is pending for adjudication and the Company expects favorable outcome. Accordingly, no provision has been made in these financial statements.

### **31. CONTINGENCIES AND COMMITMENTS**

#### **31.1 Contingencies**

**31.1.1** During the previous years, the Excise and Taxation Department Karachi imposed infrastructure cess/excise duty of Rs. 7.153 million on account of machinery imported by the Company. The Company did not accept it and filed a suit in Sindh High Court, Karachi against said levy. In 2013, on the basis of interim order passed by Sindh High Court, a bank guarantee amounting to Rs. 3.576 million had been given by the Company in favor of the Director Excise and Taxation, Karachi. The Company had also paid a demand draft of Rs. 3.576 million (50% of the disputed amount) to Excise and Taxation Department. The amount of demand draft is classified as 'Other receivables' in these financial statements (note 15.2).

**Contingencies - continued**

In another similar case, the company had given a bank guarantee of Rs. 7.200 million (2019: Rs. 7.200 million) to the Director Excise and Taxation, Karachi against disputed amount of infrastructure cess for release of imported goods. The decision of Sind High Court on Infrastructure cess is pending. The Company expects favorable decision and has not accounted for any liability in this regard.

- 31.1.2** In 2017, the Collectorate of Customs, Multan - Audit Cell conducted the post exportation audit of documents submitted regarding DTRE approval reference 14/10012015 and raised demand of Rs. 6.833 million in its report. The Company contested the case with the Collectorate of (Customs) Adjudication. The Collectorate of (Customs) Adjudication passed an Order for recovery of Rs. 5.159 million along with default surcharge, additional duties and taxes. The Company had filed an appeal before the Appellate Tribunal (Customs) Lahore dated November 01, 2017, which is pending adjudication. The Company had paid Rs. 2.820 million provisionally under protest subject to the condition that on decision of Appeal in favor of the Company, this amount will be refunded to the Company. The amount paid is classified in 'Other receivables' (note 15.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.
- 31.1.3** In 2018, the Deputy Commissioner (DC) Punjab Revenue Authority issued a notice to the Company to explain the short deduction and deposit of Sales Tax on Services for the period from March 2015 to June 2016. The notice concerned an impugned amount of Rs. 25.427 million. The Company explained the matter to the DC contesting that the notice was based on assumptions only. The DC did not accept the arguments of the Company. The Company, being aggrieved, applied to the Honorable Lahore High Court for stay against the impugned notice, which the honorable court allowed. The Company expects that the impugned notice shall be withdrawn and hence has not accounted for any liability in these financial statements in this regard.
- 31.1.4** In 2019, the Deputy Commissioner Inland Revenue (DCIR) issued a show cause notice to the Company regarding evasion of sales tax, further tax and undue adjustment of inadmissible input tax on account of sales/purchases from unregistered/blacklisted persons during the period from 2013 to 2016. The Company contested the case through its legal counsel. However, dissatisfied with the reply and evidences provided by the Company, the DCIR made order against the Company to raise a demand of Sales tax and further tax amounting to Rs. 1.983 million as well as penalty of Rs. 0.108 million. The Company did not accept the order and filed an appeal with the Commissioner Inland Revenue (Appeals) dated January 11, 2019 which is pending adjudication. Moreover, in order to prevent the recovery of disputed amount by FBR, the Company also paid Rs. 0.198 million being 10% of the raised demand as per section 140 of the Income Tax Ordinance, 2001. This amount is classified in 'Other receivables' (note 15.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.
- 31.1.5** During the year, a show cause notice has been served by the Punjab Revenue Authority (PRA) on November 11, 2019 which raised the demand of Rs. 8.294 million in respect of non deposit of Sales Tax on Services for the period from July 2018 to June 2019. The proceedings are in process, while the Honorable Lahore High Court has extended an interim relief by directing that proceedings under the impugned show cause notice will continue, however, no final order shall be passed, till the reporting date. The Company expects that the impugned notice shall be withdrawn and hence has not accounted for any liability in these financial statements in this regard.
- 31.1.6** As mentioned in note 8.2, bankers of the Company have given guarantees to SNGPL amounting to Rs. 77.715 million (2019: Rs. 74.346 million) on behalf of the Company.
- 31.1.7** Refer to contents of the note 30.1.

**Contingencies - continued**

**31.1.8** The Company issued various postdated cheques of Rs. 189.288 million (2019: Rs. 207.042 million) in favor of Collector of Customs, Multan against the amount of Sales Tax, Customs Duty and Income Tax on import of cotton yarn, chemical, packing material under Duty and Tax Remission for Exports (DTRE) Scheme. These cheques will be returned to the Company after complying with the formal requirements.

**31.2 Commitments**

**31.2.1** The Company's commitments other than capital expenditure; against letter of credit outstanding as at June 30, 2020 amount to Rs. 6.276 million (2019: Rs. 2.427 million).

**31.2.2** Foreign bills discounted outstanding as at June 30, 2020 aggregated Rs. 41.702 million (2019: Rs. 106.021 million).

|   | <u>Notes</u> | <u>2020</u><br>Rupees | <u>2019</u><br>Rupees |
|---|--------------|-----------------------|-----------------------|
| <b>32. SALES - net</b>                            |              |                       |                       |
| <i>Local sales - gross:</i>                       |              |                       |                       |
| Yarn  |              | 1,185,233,583         | 1,544,738,784         |
| Fabric  |              | 2,290,905,840         | 1,642,529,667         |
| Waste   |              | 172,983,754           | 133,087,303           |
| Cotton seed                                       |              | 38,251,840            | 69,403,014            |
| Processing income                                 |              | 5,955,300             | 1,219,061             |
|   |              | <b>3,693,330,317</b>  | <b>3,390,977,829</b>  |
| <i>Less: sales tax</i>                            |              |                       |                       |
| Yarn  |              | (160,192,864)         | -                     |
| Fabric  |              | (332,869,858)         | -                     |
| Waste   |              | (25,134,402)          | (3,627)               |
| Cotton seed                                       |              | -                     | (369,593)             |
| Processing income                                 |              | (865,300)             | -                     |
|   |              | <b>(519,062,424)</b>  | <b>(373,220)</b>      |
| <b>Local sales - net</b>                          |              | <b>3,174,267,893</b>  | <b>3,390,604,609</b>  |
| <i>Export sales - gross:</i>                      |              |                       |                       |
| Yarn  |              | 2,722,838,462         | 1,700,009,005         |
| Fabric  |              | 2,037,384,210         | 2,183,380,194         |
|   |              | <b>4,760,222,672</b>  | <b>3,883,389,199</b>  |
| <i>Less: sales tax on sales made through SPOs</i> | 32.1         | <b>(583,076,028)</b>  | -                     |
| <b>Export sales - net</b>                         | 32.1 & 32.2  | <b>4,177,146,644</b>  | <b>3,883,389,199</b>  |
|   |              | <b>7,351,414,537</b>  | <b>7,273,993,808</b>  |

**32.1** Export sales include local sales of Rs. 3,429.859 million - net of sales tax (2019: Rs. 3,202.810 million) made through Standardized Purchase Orders (SPOs).

**32.2** Loss aggregating Rs. 0.162 million - net (2019: Gain of Rs. 4.321 million - net) upon realization of foreign currency export debtors has been grouped under export sales.

|   | <b>Notes</b>  | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|---------------|------------------------|------------------------|
| <b>33. COST OF SALES</b>                                |               |                        |                        |
| Raw material consumed                                   | <b>33.1</b>   | <b>5,696,930,796</b>   | 5,685,429,276          |
| Salaries, wages and other benefits                      | <b>33.2</b>   | <b>360,809,423</b>     | 313,345,034            |
| Stores and spare parts consumed                         |               | <b>90,178,683</b>      | 74,988,291             |
| Allowance for obsolete and slow moving items            | <b>10.2</b>   | <b>33,046</b>          | 34,771                 |
| Packing materials consumed                              |               | <b>44,876,766</b>      | 49,223,564             |
| Chemicals consumed                                      |               | <b>49,831,291</b>      | 47,212,287             |
| Rent, rates and taxes                                   |               | <b>137,656</b>         | 1,800,000              |
| Processing charges                                      |               | -                      | 303,430                |
| Power and fuel  |               | <b>514,696,307</b>     | 496,962,540            |
| Repair and maintenance                                  |               | <b>14,732,073</b>      | 12,447,830             |
| Insurance   |               | <b>13,426,451</b>      | 12,342,362             |
| Other manufacturing expenses                            |               | -                      | 49,770                 |
| Depreciation on operating property, plant and equipment | <b>5.1.1</b>  | <b>128,957,633</b>     | 137,155,069            |
|   |               | <b>6,914,610,125</b>   | 6,831,294,224          |
| Adjustment of work-in-process:                          |               |                        |                        |
| Opening stock   |               | <b>73,290,934</b>      | 52,969,655             |
| Closing stock   | <b>11</b>     | <b>(71,711,245)</b>    | (73,290,934)           |
|   |               | <b>1,579,689</b>       | (20,321,279)           |
| <b>Cost of goods manufactured</b>                       |               |                        |                        |
|   |               | <b>6,916,189,814</b>   | 6,810,972,945          |
| Adjustment of finished goods:                           |               |                        |                        |
| Opening stock   |               | <b>400,422,104</b>     | 403,706,435            |
| Closing stock   | <b>11</b>     | <b>(504,194,033)</b>   | (400,422,104)          |
|   |               | <b>(103,771,929)</b>   | 3,284,331              |
|   |               | <b>6,812,417,885</b>   | 6,814,257,276          |
| <b>33.1 Raw material consumed</b>                       |               |                        |                        |
| Opening stock   |               | <b>634,847,304</b>     | 413,093,382            |
| Purchases including direct expenses                     |               |                        |                        |
| Outside purchases                                       |               | <b>5,392,710,466</b>   | 5,533,253,168          |
| Cost transferred from ginning factory                   | <b>33.1.1</b> | <b>188,819,065</b>     | 370,680,837            |
| Cotton cess   |               | <b>3,239,609</b>       | 3,249,193              |
| Purchases including direct expenses                     |               | <b>5,584,769,140</b>   | 5,907,183,198          |
|   |               | <b>6,219,616,444</b>   | 6,320,276,580          |
| Less: Closing stock                                     | <b>11</b>     | <b>(522,685,648)</b>   | (634,847,304)          |
|   |               | <b>5,696,930,796</b>   | 5,685,429,276          |

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>33.1.1 Cost transferred from ginning factory</b>   |              |                        |                        |
| The Company acquired a ginning factory on operating lease from its associated undertaking. The total cost of production as per below detail has been transferred to spinning section as raw materials cost. |              |                        |                        |
| Raw material consumed   |              | <b>180,459,691</b>     | 357,880,365            |
| Salaries, wages and other benefits  |              | <b>3,857,282</b>       | 3,714,727              |
| Stores and spare parts consumed   |              | <b>765,435</b>         | 1,690,247              |
| Lease charges   |              | <b>221,952</b>         | 452,964                |
| Power and fuel  |              | <b>1,930,432</b>       | 3,436,088              |
| Vehicles running and maintenance  |              | <b>252,825</b>         | 332,419                |
| Printing, stationery and communication  |              | <b>78,462</b>          | 82,420                 |
| Repair and maintenance  |              | <b>766,232</b>         | 1,298,145              |
| Insurance   |              | <b>393,418</b>         | 1,743,226              |
| Bank charges  |              | <b>59,515</b>          | -                      |
| Others  |              | <b>33,821</b>          | 50,236                 |
| Transferred to spinning section   |              | <b>188,819,065</b>     | 370,680,837            |
| <b>33.2</b> These include Rs. 18.679 million (2019: Rs. 12.558 million) in respect of staff gratuity.   |              |                        |                        |
| <b>34. OTHER INCOME</b>   |              |                        |                        |
| <b>Income from financial assets:</b>  |              |                        |                        |
| Profit on Sales Tax Refund Bonds  | <b>9.1</b>   | -                      | 137,014                |
| Dividend Income   |              | -                      | 4,000                  |
| Duty Drawback of taxes on export sales  |              | -                      | 317,329                |
| Gain on exchange rate fluctuation - net   |              | <b>945,369</b>         | 1,294,112              |
|   |              | <b>945,369</b>         | 1,752,455              |
| <b>Others:</b>  |              |                        |                        |
| Gain on disposal of property, plant and equipment   |              | -                      | 262,342                |
| Others  |              | -                      | 449,300                |
|   |              | <b>945,369</b>         | 2,464,097              |
| <b>35. PROFIT / (LOSS) ON TRADING</b>   |              |                        |                        |
| Local sale of yarn and fabric (net of sales tax of Rs. 836,587 (2019: nil))   |              | <b>4,921,100</b>       | 985,600                |
| Less: purchase and related expenses   |              | <b>(4,696,800)</b>     | (1,000,445)            |
|   |              | <b>224,300</b>         | (14,845)               |
| <b>36. DISTRIBUTION COST</b>  |              |                        |                        |
| Salaries, wages and other benefits  | <b>36.1</b>  | <b>2,607,550</b>       | 4,586,021              |
| Commission on:  |              |                        |                        |
| Local sales   |              | <b>11,187,639</b>      | 16,299,704             |
| Export sales  |              | <b>19,496,553</b>      | 27,118,970             |
| Freight, forwarding and others on export sales  |              | <b>6,205,426</b>       | 5,702,729              |
| Freight on local sales  |              | <b>546,000</b>         | -                      |
| Export development surcharge  |              | <b>1,707,565</b>       | 1,759,373              |
| Foreign bank charges and other export expenses  |              | <b>4,366,346</b>       | 5,599,853              |
|   |              | <b>46,117,079</b>      | 61,066,650             |
| <b>36.1</b> These include Rs. 0.240 million (2019: Rs. 0.583 million) in respect of staff gratuity.   |              |                        |                        |

|   | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>37. ADMINISTRATIVE EXPENSES</b>                      |              |                        |                        |
| Directors' meeting fee                                  | <b>44.1</b>  | <b>26,000</b>          | 30,500                 |
| Directors' remuneration                                 |              | <b>13,200,000</b>      | 11,200,000             |
| Staff salaries and other benefits                       | <b>37.1</b>  | <b>31,651,278</b>      | 28,639,690             |
| Vehicles running and maintenance                        |              | <b>6,543,369</b>       | 6,905,755              |
| Utilities   |              | <b>1,162,045</b>       | 1,237,356              |
| Travelling and conveyance                               |              | <b>2,469,807</b>       | 4,355,386              |
| Printing and stationery                                 |              | <b>281,862</b>         | 328,899                |
| Communication   |              | <b>1,938,392</b>       | 1,687,729              |
| Rent, rates and taxes                                   | <b>37.2</b>  | <b>3,100,000</b>       | 3,075,000              |
| Repair and maintenance                                  |              | <b>819,572</b>         | 970,980                |
| Insurance   |              | <b>641,603</b>         | 297,480                |
| Entertainment   |              | <b>1,367,754</b>       | 1,855,362              |
| Fees and subscription                                   |              | <b>2,616,200</b>       | 3,699,643              |
| Advertisement   |              | <b>151,500</b>         | 149,720                |
| Depreciation on operating property, plant and equipment | <b>5.1.1</b> | <b>8,222,697</b>       | 8,774,689              |
| Amortization of intangible assets                       | <b>7</b>     | <b>46,018</b>          | 286,018                |
| Auditor's remuneration                                  | <b>37.3</b>  | <b>900,500</b>         | 932,000                |
| Legal and professional charges                          |              | <b>776,389</b>         | 877,925                |
| Others  |              | <b>741,474</b>         | 521,362                |
|   |              | <b>76,656,460</b>      | 75,825,494             |

**37.1** These include Rs. 1.398 million (2019: Rs. 1.787 million) in respect of staff gratuity.

**37.2** These include Rs. 3.000 million (2019: Rs. 3.000 million) paid to director against rent of Head Office.

**37.3 Auditor's remuneration**

|                        |  |                |         |
|------------------------|--|----------------|---------|
| Annual audit           |  | <b>682,500</b> | 682,500 |
| Half yearly review     |  | <b>157,500</b> | 157,500 |
| Taxation services      |  | -              | 31,500  |
| Certification          |  | <b>10,500</b>  | 10,500  |
| Out of pocket expenses |  | <b>50,000</b>  | 50,000  |
|                        |  | <b>900,500</b> | 932,000 |

**38. OTHER OPERATING EXPENSES**

|   |             |                   |           |
|---|-------------|-------------------|-----------|
| Workers' Profit Participation Fund                      | <b>26.2</b> | <b>10,422,710</b> | 6,808,249 |
| Workers' Welfare Fund                                   | <b>26.3</b> | <b>3,680,055</b>  | -         |
| Profit on Sales Tax Refund Bonds - written off          | <b>9.1</b>  | <b>137,014</b>    | -         |
| Unrealized loss on remeasurement short term investments |             | <b>5,320</b>      | 24,840    |
| Loss on disposal of property, plant and equipment       |             | <b>453,583</b>    | -         |
| Charity and donation                                    | <b>38.1</b> | <b>323,800</b>    | 70,800    |
|   |             | <b>15,022,482</b> | 6,903,889 |

**38.1** Donations were not made to any donee in which the Company, a director or his / her spouse had any interest at any time during the year.

|   | <b>Notes</b> | <b>2019<br/>Rupees</b> | <b>2018<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>39. FINANCE COST - net</b>                               |              |                        |                        |
| Mark-up on:   |              |                        |                        |
| Long term loans and financing                               |              | <b>38,413,585</b>      | 51,145,449             |
| Short term finances   |              | <b>164,149,367</b>     | 131,010,890            |
| Lease liabilities   | <b>23.1</b>  | <b>1,163,645</b>       | 1,182,992              |
| Interest on Workers' Profit Participation Fund              | <b>26.2</b>  | <b>355,475</b>         | 125,280                |
| Bank charges and bank guarantee commission                  |              | <b>4,229,801</b>       | 5,568,407              |
| Amortization of deferred government grant                   | <b>24</b>    | <b>(293,000)</b>       | -                      |
|   |              | <b>208,018,873</b>     | <b>189,033,018</b>     |
| <b>40. TAXATION</b>   |              |                        |                        |
| Current taxation:   |              |                        |                        |
| Normal tax  |              | <b>47,687,835</b>      | 42,394,878             |
| Final tax on exports realization                            |              | <b>41,771,466</b>      | 38,833,892             |
|   |              | <b>89,459,301</b>      | 81,228,770             |
| Tax credits under section 65B of Income Tax Ordinance, 2001 |              | -                      | (10,433,181)           |
|   | <b>30</b>    | <b>89,459,301</b>      | 70,795,589             |
| Prior year adjustment                                       | <b>40.1</b>  | <b>(8,355,946)</b>     | 9,723,083              |
| Deferred taxation - net                                     | <b>25.1</b>  | <b>(7,782,735)</b>     | 7,882,494              |
|   |              | <b>73,320,620</b>      | <b>88,401,166</b>      |

**40.1** This comprises the adjustment regarding amendment of assessment for prior years.

**40.2 Relationship between tax expense and accounting profit before tax**

The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation has not been prepared and presented.

**41. EARNINGS PER SHARE**

**41.1 Basic**

|  |               | <b>2020</b>         | <b>2019</b>  |
|--|---------------|---------------------|--------------|
| Profit after taxation                      | <i>Rupees</i> | <b>121,030,807</b>  | 40,955,567   |
| Weighted average number of ordinary shares | <i>No.</i>    | <b>14,408,248.8</b> | 14,408,248.8 |
| Earnings per share                         | <i>Rupees</i> | <b>8.40</b>         | <b>2.84</b>  |

**41.2 Diluted**

There is no dilutive effect on the basic earnings per share of the Company.

|   | Notes   | 2020<br>Rupees       | 2019<br>Rupees     |
|---|---------|----------------------|--------------------|
| <b>42. CASH FLOWS FROM OPERATING ACTIVITIES</b>   |         |                      |                    |
| Profit before taxation  |         | <b>194,351,427</b>   | 129,356,733        |
| Adjustments for:  |         |                      |                    |
| Depreciation on property, plant and equipment   | 5.1.1   | <b>137,180,330</b>   | 145,929,758        |
| Amortization of intangible assets   | 7       | <b>46,018</b>        | 286,018            |
| Allowance for obsolescence and slow moving items  | 10.2    | <b>33,046</b>        | 34,771             |
| Profit on sales tax refund bonds - written off  | 38      | <b>137,014</b>       | -                  |
| Provision for Workers' Profit Participation Fund  | 26.2    | <b>10,422,710</b>    | 6,808,249          |
| Provision for Workers' Welfare Fund   | 26.3    | <b>3,680,055</b>     | -                  |
| Duty Drawback of taxes on export sales  | 34      | -                    | (317,329)          |
| Loss / (gain) on disposal of property, plant and equipment  | 34 & 38 | <b>453,583</b>       | (262,342)          |
| Dividend Income   | 34      | -                    | (4,000)            |
| Profit on sales tax refund bonds  | 34      | -                    | (137,014)          |
| Unrealized loss on remeasurement of short term investments  | 38      | <b>5,320</b>         | 24,840             |
| Exchange rate fluctuation loss / (gain) - net   | 34      | <b>(945,369)</b>     | (1,294,112)        |
| Finance cost - net  | 39      | <b>208,018,873</b>   | 189,033,018        |
|   |         | <b>359,031,580</b>   | 340,101,857        |
| <b>Cash flows before working capital changes</b>  |         | <b>553,383,007</b>   | 469,458,590        |
| <b>Working capital changes:</b>   |         |                      |                    |
| <b>(Increase) / decrease in current assets:</b>   |         |                      |                    |
| Stores, spare parts and loose tools   |         | <b>(17,426,985)</b>  | (9,150,819)        |
| Stock-in-trade  |         | <b>9,969,416</b>     | (238,790,870)      |
| Trade debts   |         | <b>(126,969,297)</b> | (86,332,508)       |
| Loans and advances (excluding advance income tax)   |         | <b>4,713,719</b>     | (14,403,500)       |
| Due from Government - sales tax   |         | <b>15,803,386</b>    | (18,586,307)       |
| Other receivables   |         | <b>(995,662)</b>     | (706,611)          |
| <b>Increase in current liabilities:</b>   |         |                      |                    |
| Trade and other payables (excluding provision for Workers' Profit Participation Fund and provision for Workers' Welfare Fund) |         | <b>171,510,857</b>   | 273,424,288        |
|   |         | <b>56,605,434</b>    | (94,546,327)       |
| <b>CASH GENERATED FROM OPERATIONS</b>   |         | <b>609,988,441</b>   | <b>374,912,263</b> |

**42.1 Reconciliation of liabilities arising from financing activities**

| Liabilities from financing activities (2020)         | June 30, 2019        | Cash flows           | Non-cash changes  | June 30, 2020        |
|--|----------------------|----------------------|-------------------|----------------------|
|  | Rupees               |                      |                   |                      |
| Unclaimed dividend                                   | 3,235,078            | (17,868,509)         | 18,010,309        | 3,376,878            |
| Long term finances - net                             | 642,342,121          | (91,069,640)         | (4,283,438)       | 546,989,043          |
| Leases liabilities                                   | 10,509,835           | (6,070,577)          | -                 | 4,439,258            |
| net  | <b>858,714,769</b>   | <b>(113,548,137)</b> | -                 | <b>745,166,632</b>   |
| <b>Total liabilities from financing activities</b>   | <b>1,514,801,803</b> | <b>(228,556,863)</b> | <b>13,726,871</b> | <b>1,299,971,811</b> |
| Liabilities from financing activities (2019)         | June 30, 2018        | Cash flows           | Non-cash changes  | June 30, 2019        |
|  | Rupees               |                      |                   |                      |
| Unclaimed dividend                                   | 3,019,542            | (17,794,774)         | 18,010,310        | 3,235,078            |
| Long term finances - net                             | 650,121,185          | (7,779,064)          | -                 | 642,342,121          |
| Leases liabilities                                   | 9,329,663            | (2,847,828)          | 4,028,000         | 10,509,835           |
| Short term finances excluding running finances - net | 819,757,777          | 38,956,992           | -                 | 858,714,769          |
| <b>Total liabilities from financing activities</b>   | <b>1,482,228,167</b> | <b>10,535,326</b>    | <b>22,038,310</b> | <b>1,514,801,803</b> |

|  |              | 2020                 | 2019          |
|--|--------------|----------------------|---------------|
|  | <b>Notes</b> | <b>Rupees</b>        | <b>Rupees</b> |
| <b>42.2 Cash and cash equivalents at end of the year</b> |              |                      |               |
| Cash and bank balances                                   | <b>17</b>    | <b>12,342,710</b>    | 16,765,243    |
| Short term running finances                              | <b>27</b>    | <b>(175,740,601)</b> | (279,985,896) |
|  |              | <b>(163,397,891)</b> | (263,220,653) |

#### 43. RELATED PARTY TRANSACTIONS

The related parties comprise of Chief Executive, directors, executives / key management personnel (KMP) of the Company and M/S Ahmad Cotton Industries (an associated undertaking which is commonly owned / controlled by three of the directors of the Company).

**43.1** Following transactions were made with the related parties of the Company, during the year:

| <u>Relationship</u>    | <u>Nature of transaction</u>           |                   |             |
|------------------------|--|-------------------|-------------|
| Associated Undertaking | - Sale of cotton seed                  | <b>38,251,840</b> | 69,403,014  |
| Associated Undertaking | - Lease rental against ginning factory | <b>221,952</b>    | 452,964     |
| Directors              | - Rent of Head Office                  | <b>3,000,000</b>  | 3,000,000   |
| Directors              | - Dividend paid                        | <b>9,407,875</b>  | 8,903,938   |
| Executives / KMPs      | - Advances given / (received) - net    | <b>57,000</b>     | (1,015,000) |

**43.2** Maximum aggregate amount due from the associated undertaking at any month end during the year was Rs. 38.251 million (2019: Rs. 25.422 million).

**43.3** No interest was charged on the associated undertaking's balances during the year as these arose due to normal business dealings. Outstanding balances with related parties at year end have been disclosed in note 13 and note 26.1.

**43.4** Remuneration and benefits to chief executive, directors, and executives / key management personnel under the term of their employment are disclosed in note 44.

#### 44. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES / KEY MANAGEMENT PERSONNEL

Remuneration of chief executive, directors and executives / key management personnel has been included in Staff salaries and benefits (note 33, 36 and 37). Detail is given below:

|  | <u>Notes</u> | 2020              |                | 2019       |                |
|--|--------------|-------------------|----------------|------------|----------------|
|  |              | Rupees            | No. of persons | Rupees     | No. of persons |
| Managerial remuneration:               |              |                   |                |            |                |
| Chief executive                        |              | <b>4,800,000</b>  | <b>1</b>       | 2,400,000  | 1              |
| Ex-chief executive                     |              | -                 |                | 1,800,000  | 1              |
| Directors                              |              | <b>8,400,000</b>  | <b>2</b>       | 7,000,000  | 2              |
|  | <b>37</b>    | <b>13,200,000</b> |                | 11,200,000 |                |
| Executives / key management personnel: |              |                   |                |            |                |
| Managerial remuneration                |              | <b>15,246,000</b> | <b>12</b>      | 12,015,000 | 12             |
| Bonus                                  |              | <b>994,933</b>    | <b>10</b>      | 1,059,500  | 12             |
| Retirement benefits                    |              | <b>1,353,000</b>  | <b>12</b>      | 1,259,500  | 12             |
|  |              | <b>17,593,933</b> |                | 14,334,000 |                |

**44.1** Meeting fee amounting to Rs. 0.026 million (2019: Rs. 0.031 million) was paid to two (2019: three) non-executive directors. The chief executive, two (2019: two) directors and six (2019: six) executives / key management personnel are provided with the Company maintained cars. No other remuneration or benefits were paid to non-executive directors.

#### 45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### 45.1 Financial instruments by category

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an approximate mix between various sources of finance to minimize risk. Category wise detail of financial instruments is as follows:

| <b>Financial assets as per statement of financial position</b>      | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|---|--------------|------------------------|------------------------|
| <b>At amortized cost:</b>   |              |                        |                        |
| Long term deposits  | 8            | 12,617,377             | 13,262,777             |
| Long term investment  | 9            | -                      | 17,837,014             |
| Trade debts   | 12           | 609,448,392            | 481,533,726            |
| Advances  | 13           | 1,058,255              | 718,264                |
| Other receivables   | 15           | 7,105,167              | 6,109,505              |
| Cash and bank balances  | 17           | 12,342,710             | 16,765,243             |
| <b>At fair value through profit or loss:</b>                        |              |                        |                        |
| Short term investments  | 16           | 46,680                 | 52,000                 |
|   |              | <b>642,618,581</b>     | <b>536,278,529</b>     |
| <b>Financial liabilities as per statement of financial position</b> |              |                        |                        |
| <b>At cost / amortized cost:</b>                                    |              |                        |                        |
| Subordinated loans  | 21           | 105,000,000            | 105,000,000            |
| Long term financing   | 22           | 546,989,043            | 642,342,121            |
| Lease liabilities   | 23           | 4,439,258              | 10,509,835             |
| Trade and other payables  | 26           | 850,824,656            | 675,627,666            |
| Unclaimed dividend  |              | 3,376,878              | 3,235,078              |
| Short term finances   | 27           | 920,907,233            | 1,138,700,665          |
| Accrued finance cost  | 29           | 37,646,441             | 52,539,990             |
|   |              | <b>2,469,183,509</b>   | <b>2,627,955,355</b>   |

##### **Financial Risk Management**

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and approves the related policies periodically.

##### 45.2 Credit risk and concentration of credit risk

The Company is exposed to credit risk from its operating activities (primarily for trade debts, loans and advances as well as other receivables) and from its financing activities, including balances with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. Out of the total financial assets of Rs. 642.619 million (2019: Rs. 536.279 million) the financial assets which are subject to credit risk amounted to Rs. 641.599million (2019: Rs. 535.966million). The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

**Credit risk and concentration of credit risk - continued**

The maximum exposure to credit risk as at the reporting date is tabulated below:

|                         | <b>Notes</b> | <b>2020<br/>Rupees</b> | <b>2019<br/>Rupees</b> |
|-------------------------|--------------|------------------------|------------------------|
| <b>Financial assets</b> |              |                        |                        |
| Long term deposits      | <b>8</b>     | <b>12,617,377</b>      | 13,262,777             |
| Long term investment    | <b>9</b>     | -                      | 17,837,014             |
| Trade debts             | <b>12</b>    | <b>609,448,392</b>     | 481,533,726            |
| Advances                | <b>13</b>    | <b>1,058,255</b>       | 718,264                |
| Other receivables       | <b>15</b>    | <b>7,105,167</b>       | 6,109,505              |
| Short term investments  | <b>16</b>    | <b>46,680</b>          | 52,000                 |
| Bank balances           | <b>17</b>    | <b>11,322,794</b>      | 16,452,250             |
|                         |              | <b>641,598,665</b>     | <b>535,965,536</b>     |

The bank balances and investments along with credit ratings of counterparties are tabulated below:

| <b>Credit rating</b>  | <b>Bank Balances</b> | <b>Short term<br/>Investments</b> |
|-----------------------|----------------------|-----------------------------------|
|                       | <b>Rupees</b>        |                                   |
| <b>June 30, 2020:</b> |                      |                                   |
| A-1+                  | <b>11,322,661</b>    | -                                 |
| A1+                   | -                    | <b>46,680</b>                     |
| A-1                   | <b>133</b>           | -                                 |
|                       | <b>11,322,794</b>    | <b>46,680</b>                     |
| <b>June 30, 2019:</b> |                      |                                   |
| A-1+                  | 4,142,514            | -                                 |
| A1+                   | 12,309,603           | 52,000                            |
| A1                    | 133                  | -                                 |
|                       | <b>16,452,250</b>    | <b>52,000</b>                     |

Due to Company's long standing 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 obligations to the Company. Accordingly, the credit risk is minimal.

**45.2 .1 Credit risk related to receivables**

Customer credit risk is managed by the management subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customers. Outstanding customer receivables are regularly monitored.

At June 30, 2020, the Company has 17 local customers that owed more than Rs. 10.000million each (2019: 19 local customers that owed more than Rs. 7.840 million each) and work out to approximately 83.74% (2019: 88.00%) of local trade debts. The maximum exposure to credit risk at the reporting date is the carrying values of receivables mentioned in note 12 and advances to

The Company does not hold collateral as security against local debtors. However, some of the foreign debtors are secured against letters of credit. The ageing analysis of trade debts is given in note 12.2.

**45.3 Liquidity risk management**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of statement of financial position liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

### Liquidity risk management - continued

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27, is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Financial Liabilities in accordance with their contractual maturities are presented as follows:

|                              | Interest / markup bearing |                       |                      | Non-Interest / markup bearing |                       |                    | Total                |
|------------------------------|---------------------------|-----------------------|----------------------|-------------------------------|-----------------------|--------------------|----------------------|
|                              | Maturity within 1 year    | Maturity after 1 year | Sub-total            | Maturity within 1 year        | Maturity after 1 year | Sub-total          |                      |
| <b>June 30, 2020</b>         | <b>Rupees</b>             |                       |                      |                               |                       |                    |                      |
| <b>Financial liabilities</b> |                           |                       |                      |                               |                       |                    |                      |
| Long term financing          | 37,132,333                | 509,856,710           | 546,989,043          | -                             | -                     | -                  | 546,989,043          |
| Lease liabilities            | 2,331,052                 | 2,108,206             | 4,439,258            | -                             | -                     | -                  | 4,439,258            |
| Trade and other payables     | -                         | -                     | -                    | 850,824,656                   | -                     | 850,824,656        | 850,824,656          |
| unclaimed dividend           | -                         | -                     | -                    | 3,376,878                     | -                     | 3,376,878          | 3,376,878            |
| Short term finances          | 920,907,233               | -                     | 920,907,233          | -                             | -                     | -                  | 920,907,233          |
| Accrued finance cost         | -                         | -                     | -                    | 37,646,441                    | -                     | 37,646,441         | 37,646,441           |
|                              | <b>960,370,618</b>        | <b>511,964,916</b>    | <b>1,472,335,534</b> | <b>891,847,975</b>            | <b>-</b>              | <b>891,847,975</b> | <b>2,364,183,509</b> |
| <b>June 30, 2019</b>         |                           |                       |                      |                               |                       |                    |                      |
| <b>Financial liabilities</b> |                           |                       |                      |                               |                       |                    |                      |
| Long term financing          | 149,744,213               | 492,597,908           | 642,342,121          | -                             | -                     | -                  | 642,342,121          |
| Lease liabilities            | 3,489,135                 | 7,020,700             | 10,509,835           | -                             | -                     | -                  | 10,509,835           |
| Trade and other payables     | -                         | -                     | -                    | 675,627,666                   | -                     | 675,627,666        | 675,627,666          |
| unclaimed dividend           | -                         | -                     | -                    | 3,235,078                     | -                     | 3,235,078          | 3,235,078            |
| Short-term finances          | 1,138,700,665             | -                     | 1,138,700,665        | -                             | -                     | -                  | 1,138,700,665        |
| Accrued finance cost         | -                         | -                     | -                    | 52,539,990                    | -                     | 52,539,990         | 52,539,990           |
|                              | <b>1,291,934,013</b>      | <b>499,618,608</b>    | <b>1,791,552,621</b> | <b>731,402,734</b>            | <b>-</b>              | <b>731,402,734</b> | <b>2,522,955,355</b> |

#### 45.4 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The senior management of the Company continuously monitors its investments to avoid such risks.

##### 45.4 .1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations, lease liabilities and long term debts having floating interest rates.

##### 45.4 .2 Interest rate sensitivity

If interest rates had been increased / decreased by 10% in basis points and all other variables were held constant, the Company's profit before taxation for the year ended June 30, 2020 would increase / decrease by Rs. 20.408 million (2019: Rs. 18.334 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in borrowings and variable markup rates.

#### **45.4 .3 Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2020, the total foreign currency risk exposure was Rs. 71.290 million (2019: Rs. 5.872 million) in respect of foreign trade debts and Rs. 4.489 million (2019: Rs. 2.888 million) were payable in respect of foreign currency payables. Moreover, commitments in respect of letters of credit amount to Rs. 6.276 million (2019: Rs. 2.427 million).

#### **45.4 .4 Foreign currency sensitivity analysis**

At June 30, 2020, if the Pakistani Rupee had strengthened / weakened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been increased / decreased by Rs. 3.34 million (2019: Rs. 0.149 million). Profit before tax is more sensitive to movement in Rupee / foreign currency exchange rates in year 2020 than in year 2019 due to higher foreign currency exposure as compared to last year.

#### **45.4 .5 Equity price risk management**

The Company is exposed to equity price risk since it has investments in listed equity securities amounting to Rs. 0.046 million (2019: Rs. 0.052 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's investment in equity securities is minimal, hence equity price risk is negligible.

### **46. DETERMINATION OF FAIR VALUES**

#### **46.1 Fair value**

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.

#### **46.2 Fair value estimation**

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derive from prices).
- Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers occur.

The Company's policy for determining when transfers between levels in the hierarchy occur includes monitoring of the following factors:

- changes in market and trading activity (e.g. significant increases / decreases in activity)
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market).

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation technique used is as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Fair value estimation - continued**

The carrying amounts of the financial assets and financial liabilities as at the reporting date approximate their fair values. As at June 30, 2020, all financial assets and financial liabilities are carried at cost / amortized cost except for short term investments which are carried at their fair values determined in accordance with level-1 of the fair value hierarchy.

**47. CAPITAL DISCLOSURE**

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and bank balances. Adjusted capital comprises all components of equity plus net debt.
- The debt-to-adjusted capital ratios at June 30, 2020 and June 30, 2019 were as follows:

|  | <b>2020</b>          | 2019          |
|--|----------------------|---------------|
|  | <b>Rupees</b>        | Rupees        |
| Total debt   | <b>1,577,335,534</b> | 1,896,552,621 |
| Less: Cash and bank balances                         | <b>(12,342,710)</b>  | (16,765,243)  |
| Net debt   | <b>1,564,992,824</b> | 1,879,787,378 |
| Total equity (as per statement of changes in equity) | <b>1,824,662,794</b> | 1,840,936,884 |
| Adjusted capital                                     | <b>3,389,655,618</b> | 3,720,724,262 |
| Debt-to-adjusted capital ratio                       | <b>0.46</b>          | 0.51          |

**48. SEGMENT REPORTING**
**48.1 Reportable segments**

The management has determined the operating segments of the Company on the basis of the difference in the products produced.

The Company's reportable segments are as follows:

- Spinning segment - ginning of cotton and production of different qualities of yarn by using natural and artificial fibers.
- Weaving segment - production of different qualities of fabric using yarn.

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

**48.2 Segment revenue and results**

Following is an analysis of the Company's revenue and results by reportable operating segments:

|   | Spinning             |                      | Weaving              |                      | Total                |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2020                 | 2019                 | 2020                 | 2019                 | 2020                 | 2019                 |
|   | Rupees               |                      |                      |                      |                      |                      |
| <b>Sales - net</b>                                      |                      |                      |                      |                      |                      |                      |
| External  | 3,597,825,901        | 3,428,723,247        | 3,753,588,636        | 3,845,270,561        | 7,351,414,537        | 7,273,993,808        |
| Inter-segment   | -                    | 3,252,020            | -                    | -                    | -                    | -                    |
| <b>Total</b>  | <b>3,597,825,901</b> | <b>3,431,975,267</b> | <b>3,753,588,636</b> | <b>3,845,270,561</b> | <b>7,351,414,537</b> | <b>7,273,993,808</b> |
| <b>Cost of sales - excluding inter-segment purchase</b> |                      |                      |                      |                      |                      |                      |
| Inter-segment purchase                                  | (3,329,293,910)      | (3,233,750,656)      | (3,483,123,975)      | (3,580,506,620)      | (6,812,417,885)      | (6,814,257,276)      |
|   | (3,329,293,910)      | (3,233,750,656)      | (3,483,123,975)      | (3,583,758,640)      | (6,812,417,885)      | (6,814,257,276)      |
| <b>Gross profit</b>                                     | <b>268,531,991</b>   | <b>198,224,611</b>   | <b>270,464,661</b>   | <b>261,511,921</b>   | <b>538,996,652</b>   | <b>459,736,532</b>   |
| Other income  | 74,284               | 400,129              | 871,085              | 2,063,968            | 945,369              | 2,464,097            |
| Profit / (loss) on trading                              | -                    | -                    | 224,300              | (14,845)             | 224,300              | (14,845)             |
| Distribution cost                                       | (27,352,327)         | (25,010,798)         | (18,764,752)         | (36,055,852)         | (46,117,079)         | (61,066,650)         |
| Administrative expenses                                 | (37,831,182)         | (37,718,070)         | (38,825,278)         | (38,107,424)         | (76,656,460)         | (75,825,494)         |
| Other operating expenses                                | (4,843,127)          | (812,921)            | (10,179,355)         | (6,090,968)          | (15,022,482)         | (6,903,889)          |
| Finance cost  | (142,527,742)        | (120,982,642)        | (65,491,131)         | (68,050,376)         | (208,018,873)        | (189,033,018)        |
| <b>Profit before tax</b>                                | <b>56,051,897</b>    | <b>14,100,309</b>    | <b>138,299,530</b>   | <b>115,256,424</b>   | <b>194,351,427</b>   | <b>129,356,733</b>   |
| <b>Taxation</b>   |                      |                      |                      |                      |                      |                      |
| - Current   | (41,987,576)         | (37,660,220)         | (47,471,725)         | (33,135,369)         | (89,459,301)         | (70,795,589)         |
| - Prior year adjustments                                | (80,364)             | (4,861,218)          | 8,436,310            | (4,861,865)          | 8,355,946            | (9,723,083)          |
| - Deferred  | (8,826,129)          | 9,939,521            | 16,608,864           | (17,822,015)         | 7,782,735            | (7,882,494)          |
|   | (50,894,069)         | (32,581,917)         | (22,426,551)         | (55,819,249)         | (73,320,620)         | (88,401,166)         |
| <b>Profit / (loss) after taxation</b>                   | <b>5,157,828</b>     | <b>(18,481,608)</b>  | <b>115,872,979</b>   | <b>59,437,175</b>    | <b>121,030,807</b>   | <b>40,955,567</b>    |

**SEGMENT REPORTING - continued**  
**48.3 Segment assets and liabilities**

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

| Notes  | Spinning             |                      | Weaving              |                      | Total                |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2020                 | 2019                 | 2020                 | 2019                 | 2020                 | 2019                 |
|  | Rupees               |                      |                      |                      |                      |                      |
| <b>Non-current assets</b>                                      |                      |                      |                      |                      |                      |                      |
| Operating property, plant and equipment                        | 1,168,400,823        | 1,302,128,268        | 1,404,874,618        | 1,539,239,775        | 2,573,275,441        | 2,841,368,043        |
| Investment property  | -                    | -                    | 43,311,500           | 43,311,500           | 43,311,500           | 43,311,500           |
| Intangible assets  | 76,699               | 122,717              | -                    | -                    | 76,699               | 122,717              |
| Long term deposits   | 722,700              | 1,262,700            | 11,894,677           | 12,000,077           | 12,617,377           | 13,262,777           |
| Long term investment   | -                    | 8,265,206            | -                    | 9,571,808            | -                    | 17,837,014           |
|  | <b>1,169,200,222</b> | <b>1,311,778,891</b> | <b>1,460,080,795</b> | <b>1,604,123,160</b> | <b>2,629,281,017</b> | <b>2,915,902,051</b> |
| <b>Current assets</b>  |                      |                      |                      |                      |                      |                      |
| Stores, spare parts and loose tools                            | 39,180,370           | 29,236,110           | 39,154,258           | 31,704,579           | 78,334,628           | 60,940,689           |
| Stock-in-trade   | 519,069,139          | 537,876,308          | 579,521,787          | 570,684,034          | 1,098,590,926        | 1,108,560,342        |
| Trade debts  | 321,118,558          | 247,768,437          | 288,329,834          | 233,765,289          | 609,448,392          | 481,533,726          |
| Loan and advances  | 49,603,398           | 46,182,039           | 46,381,249           | 65,605,523           | 95,984,647           | 111,787,562          |
| Due from Government  | 35,060,047           | 47,234,544           | 18,249,242           | 10,541,251           | 53,309,289           | 57,775,795           |
| Other receivables  | 3,979,665            | 3,909,825            | 3,125,502            | 2,199,680            | 7,105,167            | 6,109,505            |
| Short term investment  | -                    | -                    | 46,680               | 52,000               | 46,680               | 52,000               |
| Cash and bank balances   | 11,479,332           | 5,347,859            | 863,378              | 11,417,384           | 12,342,710           | 16,765,243           |
|  | <b>1,148,690,731</b> | <b>2,229,334,013</b> | <b>2,435,752,725</b> | <b>2,530,092,900</b> | <b>4,584,443,456</b> | <b>4,759,426,913</b> |
| <b>Total assets</b>  |                      |                      |                      |                      |                      |                      |
| <b>Equity</b>  |                      |                      |                      |                      |                      |                      |
| Issued, subscribed and paid up share capital                   |                      |                      |                      |                      | 144,082,488          | 144,082,488          |
| Share premium  |                      |                      |                      |                      | 32,746,284           | 32,746,284           |
| Surplus on revaluation of property, plant and equipment        |                      |                      |                      |                      |                      |                      |
| Revenue reserve - unappropriated profit                        | 240,240,770          | 316,503,351          | 357,887,793          | 425,918,868          | 598,128,563          | 742,422,219          |
|  | 418,986,421          | 418,861,411          | 630,719,038          | 502,824,482          | 1,049,705,459        | 921,685,893          |
| Subordinated loans   | 42,500,000           | 42,500,000           | 62,500,000           | 62,500,000           | 105,000,000          | 105,000,000          |
| <b>Non-current liabilities</b>                                 |                      |                      |                      |                      |                      |                      |
| Long term loans and financing                                  | 201,083,202          | 193,006,827          | 308,773,508          | 299,591,081          | 509,856,710          | 492,597,908          |
| Lease liabilities  | 969,532              | 4,552,666            | 1,138,674            | 2,468,034            | 2,108,206            | 7,020,700            |
| Deferred income - government grant                             | 884,868              | -                    | 723,982              | -                    | 1,608,850            | -                    |
| Deferred taxation - net  | 80,868,902           | 82,000,386           | 106,596,262          | 131,957,832          | 187,465,164          | 213,958,218          |
| <b>Current liabilities</b>                                     |                      |                      |                      |                      |                      |                      |
| Trade and other payables                                       | 355,322,278          | 302,625,761          | 504,891,628          | 378,782,772          | 860,213,906          | 681,408,533          |
| Unclaimed dividend   | 1,654,114            | 1,617,539            | 1,722,764            | 1,617,539            | 3,376,878            | 3,235,078            |
| Finances under markup arrangements and other credit facilities | 723,958,713          | 737,853,996          | 196,948,520          | 400,846,669          | 920,907,233          | 1,138,700,665        |
| Current portion of non-current liabilities                     | 25,464,420           | 86,196,288           | 16,673,553           | 67,037,060           | 42,137,973           | 153,233,348          |
| Accrued finance cost   | 28,703,724           | 33,759,804           | 8,942,717            | 18,780,186           | 37,646,441           | 52,539,990           |
| Provision for taxation   | 41,987,578           | 37,660,220           | 47,471,723           | 33,135,369           | 89,459,301           | 70,795,589           |
|  |                      |                      |                      |                      | 4,584,443,456        | 4,759,426,913        |
| <b>Total equity and liabilities</b>                            |                      |                      |                      |                      |                      |                      |

| <b>SEGMENT REPORTING - continued</b>                 | <b>2020</b>          | <b>2019</b>   |
|--|----------------------|---------------|
|  | <b>Rupees</b>        | <b>Rupees</b> |
| <b>48.4 Revenue from major products and services</b> |                      |               |
| Fabric export sales                                  | <b>1,781,184,399</b> | 2,183,380,194 |
| Yarn export sales                                    | <b>2,395,962,244</b> | 1,700,009,005 |
| Fabric local sales                                   | <b>1,958,035,982</b> | 1,642,529,667 |
| Yarn local sales                                     | <b>1,025,040,719</b> | 1,544,738,784 |
| Waste local sales                                    | <b>147,849,352</b>   | 133,083,676   |
| Cotton seed local sales                              | <b>38,251,840</b>    | 69,033,421    |
| <b>Revenue from manufacturing</b>                    | <b>7,346,324,536</b> | 7,272,774,747 |
| <b>Revenue from processing</b>                       | <b>5,090,000</b>     | 1,219,061     |
|  | <b>7,351,414,536</b> | 7,273,993,808 |
| <b>Revenue from trading</b>                          | <b>4,921,100</b>     | 985,600       |
| <b>Total revenue</b>                                 | <b>7,356,335,636</b> | 7,274,979,408 |

#### **48.5 Revenue from major customers**

Revenue from top thirty (30) customers of the Company in each segment is as follows:

|          |                      |               |
|----------|----------------------|---------------|
| Spinning | <b>2,967,839,479</b> | 2,728,803,824 |
| Weaving  | <b>3,453,569,036</b> | 3,558,041,020 |

Revenue from two (2019: one) of the customers from weaving segment of the Company exceeded 18.41%(2019:14.57%) of the Company's total revenue and amounted to Rs. 1,354.157million (2019: Rs. 1,059.854 million).

#### **49. GEOGRAPHICAL INFORMATION**

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

|                             |                      |               |
|-----------------------------|----------------------|---------------|
| Pakistan - local sales      | <b>3,179,188,992</b> | 3,390,593,922 |
| Pakistan - indirect exports | <b>3,429,858,991</b> | 3,202,810,390 |
| America                     | <b>44,070,100</b>    | 46,796,539    |
| Asia                        | <b>499,779,514</b>   | 492,994,753   |
| Europe                      | <b>203,438,039</b>   | 141,783,804   |
|                             | <b>7,356,335,636</b> | 7,274,979,408 |

All non-current assets of the Company are located and operating in Pakistan.

#### **50. NUMBER OF EMPLOYEES**

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| Employees of the Company as at June 30      | 736         | 645         |
| Average number of employees during the year | 712         | 631         |

**51. CAPACITY AND PRODUCTION**

**Yarn**

|  |            | <b>2020</b>       | 2019       |
|--|------------|-------------------|------------|
| Number of spindles installed   |            | <b>28,152</b>     | 28,152     |
| Installed capacity after conversion into 20's count<br>(1,095 shifts (2019: 1,095 shifts)) | <b>Kgs</b> | <b>10,668,135</b> | 10,668,135 |
| Actual production of yarn after<br>conversion into 20's count                              | <b>Kgs</b> | <b>10,437,907</b> | 10,545,780 |

**Fabric**

|   |                 |                   |            |
|---|-----------------|-------------------|------------|
| Number of looms installed                                     |                 | <b>219</b>        | 219        |
| Number of looms worked  |                 | <b>219</b>        | 219        |
| Installed capacity after<br>conversion into 60 picks          | <b>Sq. mtrs</b> | <b>76,617,097</b> | 76,617,097 |
| Actual production of fabric after<br>conversion into 60 picks | <b>Sq. mtrs</b> | <b>51,228,622</b> | 55,471,200 |

It is difficult to describe precisely the production capacity in Spinning and Weaving Mills since it fluctuates widely depending on various factors such as quality of cotton, count of yarn spun, spindles speed, twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year. Underutilization of capacities is due to various factors including availability of raw material and stoppages due to repair and maintenance.

**52. CORRESPONDING FIGURES**

Corresponding figures in these financial statements have been reclassified where necessary for the purpose of comparison. However, no material rearrangements have been made in these financial statements.

**53. SUBSEQUENT EVENTS**

The Board of Directors, in its meeting held on September 26, 2020, proposed a cash dividend of Rs. 1.5 per share for the year ended June 30, 2020 for approval of the members at the Annual General Meeting of the Company, to be held on October 28, 2020.

These financial statements do not include the effect of the proposed cash dividend.

**54. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on September 26, 2020 by the Board of Directors of the Company.

**55. GENERAL**

Figures have been rounded-off to the nearest Pakistani Rupee except stated otherwise.



**Pattern of Shareholding for Ahmad Hassan Textile Mills Ltd.  
As on:- 30-Jun-2020**

| <b>Number of ShareHolders</b> | <b>Shareholdings From</b> | <b>Shareholdings To</b> | <b>Total Number of Share Held</b> | <b>Percentage of Total</b> |
|-------------------------------|---------------------------|-------------------------|-----------------------------------|----------------------------|
| 128                           | 1 -                       | 100                     | 6,608                             | 0.05                       |
| 412                           | 101 -                     | 500                     | 188,042                           | 1.31                       |
| 89                            | 501 -                     | 1000                    | 58,428                            | 0.41                       |
| 43                            | 1001 -                    | 5000                    | 83,802                            | 0.58                       |
| 5                             | 5001 -                    | 10000                   | 29,540                            | 0.21                       |
| 3                             | 10001 -                   | 15000                   | 34,730                            | 0.24                       |
| 1                             | 30001 -                   | 35000                   | 31,000                            | 0.22                       |
| 2                             | 45001 -                   | 50000                   | 99,435                            | 0.69                       |
| 1                             | 60001 -                   | 65000                   | 64,000                            | 0.44                       |
| 1                             | 65001 -                   | 70000                   | 70,000                            | 0.49                       |
| 1                             | 70001 -                   | 75000                   | 71,400                            | 0.50                       |
| 1                             | 80001 -                   | 85000                   | 83,593                            | 0.58                       |
| 2                             | 150001 -                  | 155000                  | 300,431                           | 2.09                       |
| 1                             | 255001 -                  | 260000                  | 260,000                           | 1.80                       |
| 1                             | 300001 -                  | 305000                  | 303,996                           | 2.11                       |
| 1                             | 350001 -                  | 355000                  | 350,565                           | 2.43                       |
| 2                             | 430001 -                  | 435000                  | 864,000                           | 6.00                       |
| 1                             | 445001 -                  | 450000                  | 450,000                           | 3.12                       |
| 1                             | 455001 -                  | 460000                  | 455,221                           | 3.16                       |
| 2                             | 500001 -                  | 505000                  | 1,004,485                         | 6.97                       |
| 1                             | 505001 -                  | 510000                  | 509,000                           | 3.53                       |
| 1                             | 580001 -                  | 585000                  | 582,277                           | 4.04                       |
| 1                             | 635001 -                  | 640000                  | 637,729                           | 4.43                       |
| 1                             | 800001 -                  | 805000                  | 804,540                           | 5.58                       |
| 3                             | 835001 -                  | 840000                  | 2,517,834                         | 17.47                      |
| 1                             | 910001 -                  | 915000                  | 913,009                           | 6.34                       |
| 1                             | 1060001 -                 | 1065000                 | 1,062,063                         | 7.37                       |
| 1                             | 2570001 -                 | 2575000                 | 2,572,520                         | 17.85                      |
| <b>708</b>                    |                           |                         | <b>14,408,248</b>                 | <b>100.00</b>              |

## Categories of Shareholders as per Code of Corporate Governance

As at June 30, 2020

| Number of Shareholders | Shareholders Category   | Number of share held      | Percentage of Total Capital |
|------------------------|---|---------------------------|-----------------------------|
|                        | <b>Associated Companies, undertaking and related parties(name wise details)</b>             | NILL                      | NILL                        |
|                        | <b>Benevolent Fund</b>  |                           |                             |
| 1                      | TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST                                 | 2,933<br><b>2,933</b>     | 0.0204<br><b>0.0204</b>     |
|                        | <b>Directors, Chief Executive and their spouse(s) and minor children(name wise details)</b> |                           |                             |
|                        | MIAN MOHAMMAD JAVED ANWAR   | 521,400                   | 3.6188                      |
|                        | MUHAMMAD AURENGZEB  | 1,271,278                 | 8.8233                      |
|                        | MUHAMMAD HARIS  | 2,572,520                 | 17.8545                     |
|                        | SALMA JAVED   | 804,540                   | 5.5839                      |
|                        | WAHEEDA PARVEZ  | 1,062,063                 | 7.3712                      |
|                        | MUHAMMAD JAHANZAIB  | 1,294,499                 | 8.9844                      |
| 7                      | NAZIR AHMAD KHAN  | 2,573<br><b>7,528,873</b> | 0.0179<br><b>52.2540</b>    |
|                        | <b>Financial Institutions</b>   |                           |                             |
| 1                      | NATIONAL BANK OF PAKISTAN   | 5,013<br><b>5,013</b>     | 0.0348<br><b>0.0348</b>     |
|                        | <b>Joint Stock Companies</b>  |                           |                             |
|                        | ADAM LUBRICATS LIMITED.   | 500                       | 0.0035                      |
|                        | PRUDENTIAL SECURITIES LIMITED   | 50                        | 0.0003                      |
|                        | MAPLE LEAF CAPITAL LIMITED  | 1                         | 0.0000                      |
|                        | CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD  | 50                        | 0.0003                      |
|                        | CAPITAL VISION SECURITIES PVT LIMITED   | 75                        | 0.0005                      |
| 6                      | S.Z. SECURITIES (PRIVATE) LIMITED   | 632<br><b>1,308</b>       | 0.0044<br><b>0.0090</b>     |
|                        | <b>Mutual Fund</b>  |                           |                             |
| 1                      | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST  | <b>913,009</b>            | 6.3367                      |
|                        | <b>NIT &amp; ICP</b>  |                           |                             |
| 1                      | INVESTMENT CORP. OF PAKISTAN  | <b>200</b>                | 0.0014                      |
|                        | <b>Pension Fund</b>   |                           |                             |
| 1                      | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND                                    | <b>83,593</b>             | 0.5802                      |
|                        | <b>General Public</b>   |                           |                             |
| 696                    | Local   | <b>5,873,319</b>          | 40.7636                     |
|                        | Foreign   |                           |                             |
|                        | <b>Shareholders holding five percent or more voting interest</b>                            |                           |                             |
|                        | SALMA JAVED   | 804,540                   | 5.58                        |
|                        | MUHAMMAD HARIS  | 2,572,520                 | 17.85                       |
|                        | WAHEEDA PARVAIZ   | 1,062,063                 | 7.37                        |
|                        | MUHAMMAD AURANGZEB  | 1,271,278                 | 8.82                        |
|                        | MUHAMMAD JAHANZAIB  | 1,294,499                 | 8.98                        |
|                        | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST  | 913,009                   | 6.34                        |

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## FORM OF PROXY

I/We, \_\_\_\_\_ of \_\_\_\_\_, holding Computerized National Identity Card Number \_\_\_\_\_ and being a member of Ahmad Hassan Textile Mills Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_, holding Computerized National Identity Card Number \_\_\_\_\_ as my / our proxy to voted for me/us and on my/our behalf at the Annual General / Extraordinary Meeting of the Company, to be held on \_\_\_\_\_ and at any adjournment thereof.

As witness my / our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_

### WITNESSES:

1. Signature \_\_\_\_\_

2. Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

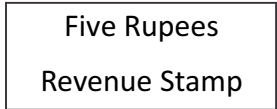
Address \_\_\_\_\_

Address \_\_\_\_\_

CNIC Number \_\_\_\_\_

CNIC Number \_\_\_\_\_

CDC Account Number \_\_\_\_\_



To be signed by above-named shareholder

### Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of CNIC of the appointer and the proxy-holder shall be furnished with the Proxy Form.
4. The proxy-holder shall produce his original CNIC at the time of meeting.
5. In case of corporate entity, the Board of Directors' resolution / Power of Attorney with specimen signature shall be submitted along with Proxy Form.



## Electronic Dividend Mandate Form

In accordance with the provisions of section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. SECP vide Circular Number 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any dividend payable after this due date shall be paid in the manner prescribed only.

Shareholders are requested to send the attached Form duly filled and signed, along with attested copy of their CNIC to the Company's Share Registrar, M/s Vision Consulting Ltd., 3-C, LDA Flats, 1st Floor, Lawrence Road, Lahore. CDC shareholders are requested to submit their Dividend Mandate Form and attested copy of CNIC directly to their broker (participant)/ CDC.

I hereby communicate to receive my future dividends directly in my Bank Account as detailed below:

Name of shareholder \_\_\_\_\_

Folio Number/CDC Account No. \_\_\_\_\_ of Ahmad Hassan Textile Mills Limited

Contact number of shareholder \_\_\_\_\_

Title of Account \_\_\_\_\_

IBAN (\*) \_\_\_\_\_

Name of Bank \_\_\_\_\_

Bank branch \_\_\_\_\_

Mailing Address of Branch \_\_\_\_\_

CNIC No. (attach attested copy) \_\_\_\_\_

NTN (in case of corporate entity) \_\_\_\_\_

It is stated that the above particulars given by me are correct and to the best of my knowledge; I shall keep the Company informed in case of any changes in the said particulars in future.

\_\_\_\_\_  
Shareholder's Signature

\_\_\_\_\_  
Date

### NOTES:

- \* Please provide complete IBAN (International Bank Account Number), after checking with your concerned Bank branch to enable electronic credit directly into your bank account.