



**Annual Report
2019**

D S INDUSTRIES LIMITED



CONTENTS

Company Information	2
Notice of Annual General Meeting	4
Directors' Report	5
Financial Highlights	8
Statement of Compliance With Code of Corporate Governance	9
Auditors' Review Report on Corporate Governance	11
Auditors' Report to the Members	12
Statement of Financial Position	14
Statement of Profit or Loss	16
Statement of Comprehensive Income	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Pattern of Shareholding	50
Form of Proxy	

COMPANY INFORMATION

Board of Directors	Mr. Pervez Ahmed Mr. Ali Pervez Ahmed Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Khawar Mahmud Mr. Mazhar Pervaiz Malik Mrs. Rukhsana Khalid	Chief Executive
Audit Committee	Mr. Atta ur Rehman Mr. Khawar Mahmud Mrs. Rukhsana Khalid	Chairman
HR & Remuneration Committee	Mr. Suleman Ahmed Mr. Atta ur Rehman Mrs. Rukhsana Khalid	Chairman
Chief Financial Officer	Mr. Muhammad Rafique Qureshi	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Al Baraka Bank (Pakistan) Limited MCB Bank Limited Silk Bank Limited Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited Dubai Islamic Bank Limited	
Registered Office	20-K, Gulberg II, Lahore.	
Share Registrars	THK Associates (Pvt.) Limited First Floor, 40-C, Block - 6 P.E.C.H.S. Karachi - 75400	
Mill	11-km Sheikhpura Faisalabad Road, Sheikhpura	
Website	www.dsil.com.pk	

VISION

- To be a dynamic, profitable, growth oriented Company and to achieve excellence through commitment, integrity, honesty and team work

MISSION

- To increase consistently the value of the Company to its shareholders by building up the Company on sound financial footings with better productivity, excellence in quality and improved efficiency at lower operating costs without compromising on our principles of ethics, integrity and professional standards
- To achieve high returns on investments through continuous process of improvement for the benefit of shareholders
- To be a responsible employer and to develop and reward employees according to their ability and performance.
- Be a good corporate citizen

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-ninth Annual General Meeting of the shareholders of the Company will be held at the Registered Office of the Company 20 - K Gulberg II, Lahore on Wednesday November 27, 2019 at 3:15 p.m. to transact the following business:-

Ordinary Business

- 1 To confirm the minutes of Annual General Meeting held on October 27, 2018.
- 2 To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2019 together with Directors' and Auditors' reports thereon.
- 3 To appoint Auditors of the Company for the year 2019-20 and to fix their remuneration. The present Auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants, retire and being eligible offered themselves for the re-appointment.

Lahore
October 6, 2019

Salman Farooq
(Company Secretary)

Note:-

- 1 The share transfer books of the Company will remain close from November 23, 2019 to November 27, 2019 (BOTH DAYS INCLUSIVE)
- 2 A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend the meeting and vote for him / her. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- 3 In term of the Companies Act, 2017, the shareholders residing in a city other than Lahore, and holding at-least 10% of the total paid-up share capital may demand the facility of Video-Link for participation in the annual general meeting. The request for providing video-link facility shall be received by the Share Registrar at the address given hereinabove at least 7 days prior to the date of meeting.
- 4 Account holders and sub-account holders holding book entry securities in respect of the shares of the Company in Central Depository Company of Pakistan Limited, who wish to attend the General Meeting are requested to bring their original Computerized National Identity Cards for identification purpose.

DIRECTORS' REPORT

The Board of Directors of D.S.Industries Limited is pleased to present the Company's Thirty-ninth Annual Report which includes the Audited Financial Statements of the Company together with the Auditor's report thereon for the year ended June 30, 2019

Financial Results of the Company

During the year 2018-19, the Company recorded turnover of Rs. 581.73 million against Rs. 717.85 million for the same period of last year showing almost an 18.96% decrease in over the last years sales revenue. Net loss after tax recorded at Rs. 81.53 million against loss of Rs. 75.78 million in corresponding year. This loss was attributable mainly due to use of expensive raw material

During the year the arrival of cotton crop started earlier from the month of July but it took time to gain momentum. Phutti arrival picked up from month of September 2018 onward and size of total crop was 10.800 million bales which are quite short of local textile industries requirements. The mills were forced to import expensive raw material from international market in order to meet their demand.

Dividend

In view of the adverse results in the current year and available accumulated losses, directors of your Company have proposed no dividend for the year.

Book Closure

The Share Transfer Books of the Company will remain closed and no transfer of shares will be accepted for registration from November 23, 2019 to November 27, 2019 (both days inclusive). Transfer received by our Shares Registrar, M/s THK Associates (Pvt.) Limited - First Floor, 40-C, Block-6, P.E.C.H.S., Karachi at the close of business on November 26, 2019 will be considered to attend and vote at the meeting.

Pattern of Shareholding

Pattern of shareholding along with categories of shareholders of the Company as at June 30, 2019, are annexed with this report.

Operating and Financial Data

Operating and financial data with key ratios for the six years is annexed.

Future Outlook

Present Government after coming in to power have announced various incentives for the export oriented industries of the country that includes creating separate tariff of Gas and Electricity at subsidized rate. But imposition of sales tax on local as well export sales from July 2019 onward effected the sale very badly. Geo political situation of the entire world particularly our region is not good for trade. Hope fully trade policies will improve in days to come and the industry as a whole will be able to perform better

Number of Board Meetings Held

Five meetings of the Board of Directors were held during the year ended June 30, 2019 and the attendance of the directors is as follows.

Mr. Pervez Ahmed	Chief Executive	5 attendance
Mr. Ali Pervez Ahmed	Director	5 attendance
Mr. Suleman Ahmed	Director	5 attendance
Mr. Atta ur Rehman	Director	5 attendance
Mr. Khawar Mehmud	Director	5 attendance
Mr. Mazhar Pervaiz Malik	Director	4 attendance
Mrs. Rukhsana Khalid	Director	5 attendance

Statement of Ethics & Business Practices

The Board has prepared and circulated the Statement of Ethics and Business Practices signed by every director and employee of the Company as a token of acknowledgement of his/her understanding of the standards of conduct in relation to everybody associated or dealing with the Company.

Auditors

The Auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants retire and being eligible offer themselves for reappointment. The Audit Committee recommends the reappointment of Messrs Rahman Sarfaraz Rahim Iqbal Rafiq - Chartered Accountants as auditors of the Company for the financial year ending June 30, 2020.

Audit Committee

The Audit Committee of the Company is in place and comprises the following members as required under the Code of Corporate Governance.

Mr. Atta ur Rehman	Chairman
Mr. Khawar Mahmud	Member
Mrs. Rukhsana Khalid	Member

Meetings of the Audit Committee were held during the year ended June 30, 2019 as required by the Code of Corporate Governance for review of quarterly & annual accounts and other related matters. The meeting was also attended by the Chief Financial Officer, head of Internal Audit and External Auditors as and when it was required.

Code of Corporate Governance

Statement in Compliance to the Code of Corporate Governance

The Board of Directors and the Company remain committed to the principles of good corporate management practices. The Board and management are cognizant of their responsibilities and monitor the performance of the Company to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information. The Board is pleased to advise that the Company has complied, in all material respects, with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations 2017 as fully explained in the attached Statement of Compliance and there is no material departure from the best practices. Further, the following statements are being made:

- 1 Proper books of accounts of the Company have been maintained.
- 2 The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and change in equity.
- 3 Appropriate accounting policies have been consistently applied in preparation of the 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 The Company suffered net loss of Rs. 30.89 million during the year and has accumulated losses of Rs. 786.32 million as at the balance sheet date. The current liabilities of the Company exceeds its current assets by Rs. 255.20 million. These factors may cast doubt about the entity's ability to continue as going concern. However, the management is making continuous efforts to support the Company.
- 7 There has been no material departure from the best practices of corporate governance as defined in the listing regulations.
- 8 Financial highlights for the last six years are annexed.

Acknowledgement

The Board of Directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission of Pakistan and to the management of the Pakistan Stock Exchange Limited for their valuable support, assistance and guidance. The Board also express its appreciation to the staff and workers of the Company for their services, loyalty and efforts being continuously rendered

Lahore
October 6, 2019

For & on behalf of the Board



Pervez Ahmed
Chief Executive

FINANCIAL HIGHLIGHTS

Profit and Loss Accounts	2019	2018	2017	2016	2015	2014
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sales	581,734,778	717,846,175	823,969,981	635,025,614	820,090,456	1,130,585,280
Cost of sales	(612,634,156)	(733,450,702)	(879,568,859)	(694,770,844)	(867,695,343)	(1,117,780,808)
Gross (Loss) / Profit	(30,899,378)	(15,604,527)	(55,598,878)	(59,745,230)	(47,604,887)	12,804,472
Operating expenses						
- Selling & Distribution cost	(2,441,729)	(1,852,272)	(2,474,395)	(2,282,947)	(2,718,422)	(2,294,780)
- Administrative & General expenses	(34,702,708)	(29,132,885)	(27,806,108)	(21,356,090)	(29,711,264)	(39,044,110)
- Other expenses	(114,649,676)	(6,066,603)	(16,796,430)	(1,871,722)	(21,010,741)	(9,358,678)
	(151,794,113)	(37,051,760)	(47,076,933)	(25,510,759)	(53,440,427)	(50,697,568)
	(182,693,491)	(52,656,287)	(102,675,811)	(85,255,989)	(101,045,314)	(37,893,096)
Other Income ¹	94,521,203	14,195,755	171,623,638	81,029,382	237,040,996	1,239,342
Operating (Loss) / Profit	(88,172,288)	(38,460,532)	68,947,827	(4,226,607)	135,995,682	(36,653,754)
Finance cost	(17,441,039)	(9,677,409)	(3,933,821)	(1,458,056)	(2,286,489)	(2,675,550)
(Impairment loss) / reversal of Impairment on investment in associates	-	-	-	-	-	(23,157,422)
Notional Interest	(15,543,107)	15,543,107	-	(26,638,748)	26,638,748	-
Share of (Loss) / profit of associated undertaking	(13,390,093)	(11,242,787)	16,100,595	(815,389)	(20,370,674)	16,862,535
(Loss) / Profit before Taxation	(134,546,527)	(43,837,621)	81,114,601	(33,138,800)	139,977,267	(45,624,191)
Taxation	53,015,364	(31,945,213)	(4,022,587)	49,668,989	27,908,971	(2,766,647)
Profit after Taxation	(81,531,163)	(75,782,834)	77,092,014	16,530,189	167,886,238	(48,390,838)
Dividend	0	0	0	0	0	0
Bonus	0	0	0	0	0	0
Balance Sheet						
Share Capital	836,856,310	836,856,310	836,856,310	600,000,000	600,000,000	600,000,000
Long term loans	-	82,745,085	-	-	106,233,444	486,196,255
Property, plant and equipment	371,830,271	478,921,989	510,776,302	544,306,154	398,938,588	436,192,675
Current assets	36,944,240	104,292,967	71,518,695	88,456,586	85,981,512	114,164,666
Current liabilities	292,148,868	372,843,664	409,169,716	607,147,446	506,624,153	461,883,147
Key Financial Ratios						
Gross (loss) / profit ratio (%)	(5.31)	(2.17)	(6.75)	(9.41)	(5.80)	1.13
Operating (loss) / profit ratio (%)	(15.16)	(5.36)	8.37	(0.67)	16.58	(3.24)
Net (loss) / profit ratio (%)	(14.02)	(10.56)	9.36	2.60	20.47	(4.28)
(Loss) / earning per share	(0.97)	(0.91)	1.13	0.28	2.80	(0.81)

**Statement of Compliance With Best
Practices of Code of Corporate Governance
For The Year Ended June 30, 2019**

D S Industries Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Regulations") in the following manners.

1. The total number of directors are seven as per the following:
Male : Six
Female : One
2. The composition of the Board of Directors ("the Board") is as follows:

Name of Director and Category

Independent Directors

- Mr. Mazhar Pervaiz Malik
- Mr. Khawar Mahmud
- Mr. Atta ur Rehman

Other Non-Executive Directors

- Mrs. Rukhsana Khalid

Executive Directors

- Mr. Pervez Ahmed
- Mr. Ali Pervez Ahmed
- Mr. Suleman Ahmed

3. The Directors have confirmed that none of them is serving as director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable)
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act 2017 ("the Act") and these Regulations.
7. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose. 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 of Directors have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and these Regulations.
9. Directors are well conversant with the Listing Regulations and legal requirements and as such are fully aware of their duties and responsibilities. However none of directors of the Company have obtained any certification in any Directors Training Program.
10. During the year, there is no replacement of Chief Financial Officer, Company Secretary and Head of Internal Audit of the Company

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

Audit Committee

- Mr. Atta ur Rehman (Chairman)
- Mr. Khawar Mahmud
- Mr. Mazhar Pervaiz Malik

HR and Remuneration Committee

- Mr. Khawar Mahmud (Chairman)
- Mrs. Rukhsana Khalid
- Mr. Mazhar Pervaiz Malik

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

14. The frequency of meeting of the committee were as per following:

- Audit Committee - Quarterly
- Human Resource and Remuneration Committee - Yearly

15. The Board has set-up an effective internal audit function which is considered suitably qualified & 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 (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Lahore.
October 6, 2019

For and on behalf of
Board of Directors


Pervez Ahmed
Chief Executive

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 [‘the Regulations’] prepared by the Board of Directors of D.S. INDUSTRIES LIMITED for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulation.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019. Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference	Description
Paragraph 9 the year.	The Board has not arranged any directors training program for its directors during

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: **ZUBAIR IRFAN MALIK**

Lahore: OCTOBER 06, 2019

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of D.S. INDUSTRIES LIMITED ['the Company'], which comprise the statement of financial position as at June 30, 2019, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss, 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.

Material Uncertainty relating to Going Concern

We draw attention to note 2.2 to the financial statements which refers to the fact that the Company has incurred gross loss of Rs. 30.899 million and loss after taxation of Rs. 81.531 million. As at June 30, 2019, the Company has accumulated losses of Rs. 786.324 million as at the reporting date and its current liabilities exceed its current assets by Rs. 255.204 million. These factors indicate existence of a material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able discharge its liabilities and realize its assets in normal course of business. However, these financial statements have been prepared on going concern basis for reasons explained in note 2.2. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

Key audit matter

1. First time adoption of IFRS 9 - Financial Instruments

As referred to in note 3 to the financial statements, the Company has adopted IFRS 9 - 'Financial Instruments'. The new standard requires the Company to make allowance for impairment of financial assets using Expected

Credit Loss ['ECL'] approach as against the Incurred Loss Model previously applied by the Company.

Determination of ECL for financial assets requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.

We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.

2. Inventory valuation

Stock in trade amounts to Rs 9,316 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade.

The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contract in hand and historically realized sales prices.

The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter

The disclosures in relation to inventories are included in note 20.

3. Deferred taxation

At June 30, 2019, the Company had deferred tax asset amounting to Rs. 23.75 million which was not recognized.

The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions, especially as it relates to future performance of the Company.

The disclosures in relation to deferred taxation are included in note 17.

How our audit addressed the key audit matter

Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to financial assets. We also considered and

To address the valuation of stock in trade, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to inventories.

We also assessed management's determination of the net realizable value of inventories by performing tests on the sales prices secured by the Company for similar or comparable items of inventories.

We obtained an understanding of the income tax process, and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the calculation of deferred tax balances based on tax regulations, and on the analysis of the recoverability of the deferred tax assets.

We have evaluated the company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits.

We have involved internal tax specialists to support us in these procedures.

Key audit matter**How our audit addressed the key audit matter**

Finally, we reviewed the adequacy of the disclosures made by the company in this area.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- " Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- " Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- " Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- " Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- " Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is ZUBAIR IRFAN MALIK.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: ZUBAIR IRFAN MALIK

Lahore: OCTOBER 06, 2019

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
100,000,000 (2018: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	7	836,856,310	836,856,310
Discount on issue of shares	8	(82,899,709)	(82,899,709)
Surplus on revaluation of property, plant and equipment	9	248,821,289	203,909,733
Accumulated loss		(786,324,295)	(760,317,860)
TOTAL EQUITY		216,453,595	197,548,474
NON-CURRENT LIABILITIES			
Long term finances	10	-	82,745,085
Employees retirement benefits	11	5,246,306	14,834,639
Deferred taxation	17	-	19,778,854
		5,246,306	117,358,578
CURRENT LIABILITIES			
Trade and other payables	12	89,335,593	188,264,259
Unclaimed dividend		337,563	337,563
Accrued interest/markup		8,314,087	2,864,344
Short term borrowings	13	186,939,940	159,404,421
Provision for taxation	31	7,221,685	8,973,077
Current portion of non-current liabilities	10	-	13,000,000
		292,148,868	372,843,664
TOTAL LIABILITIES		297,395,174	490,202,242
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		513,848,769	687,750,716

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	371,830,271	478,921,989
Long term investments	16	72,078,491	85,463,366
Long term deposits	18	19,072,394	19,072,394
Deferred taxation	17	13,923,373	-
		476,904,529	583,457,749
CURRENT ASSETS			
Stores, spares and loose tools	19	1,915,756	1,109,133
Stock in trade	20	9,316,183	54,110,390
Trade debts	21	12,942,394	30,809,522
Advances, prepayments and other receivables	22	6,887,388	12,594,092
Advance income tax/income tax refundable		4,077,502	3,330,422
Bank balances	23	1,805,017	2,339,408
		36,944,240	104,292,967
TOTAL ASSETS		513,848,769	687,750,716

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

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

	Note	2019 Rupees	2018 Rupees
Sales - net	24	581,734,778	717,846,175
Cost of sales	25	(612,634,156)	(733,450,702)
Gross loss		(30,899,378)	(15,604,527)
Selling and distribution expenses	26	(2,441,729)	(1,852,272)
Administrative and general expenses	27	(34,702,708)	(29,132,885)
Other expenses	28	(114,649,676)	(6,066,603)
		(151,794,113)	(37,051,760)
Other income	29	(182,693,491)	(52,656,287)
		94,521,203	14,195,755
Operating loss		(88,172,288)	(38,460,532)
Finance cost	30	(17,441,039)	(9,677,409)
Notional interest	10.2	(15,543,107)	15,543,107
Share of loss of associates	16	(13,390,093)	(11,242,787)
Loss before taxation		(134,546,527)	(43,837,621)
Taxation	31	53,015,364	(31,945,213)
Loss after taxation		(81,531,163)	(75,782,834)
Loss per share - basic and diluted	32	(0.97)	(0.91)

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

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

	<i>Note</i>	2019 <i>Rupees</i>	2018 <i>Rupees</i>
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	11.4	(3,696,640)	59,927
Surplus on revaluation of property, plant and equipment arising during the year	9	152,326,749	-
Reversal of surplus on revaluation of property, plant and equipment on account of impairment	9	(21,659,003)	-
		126,971,106	59,927
Other comprehensive income before taxation		126,971,106	59,927
Taxation			
Remeasurements of defined benefit obligation	17	(1,072,026)	(17,379)
Surplus on revaluation of property, plant and equipment arising during the year	9	(31,743,907)	-
Reversal of surplus on revaluation of property, plant and equipment on account of impairment	9	6,281,111	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	9	-	2,277,205
		(26,534,822)	2,259,826
Other comprehensive income after taxation		100,436,284	2,319,753
Loss for the year		(81,531,163)	(75,782,834)
Total comprehensive income/(loss)		18,905,121	(73,463,081)

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

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

	Share capital	Capital reserves		Revenue reserve	Total equity
	Issued subscribed and paid-up capital	Discount on issue of shares	Surplus on revaluation of property, plant and equipment	Accumulated losses	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 2017	836,856,310	(82,899,709)	214,247,198	(697,192,244)	271,011,555
Comprehensive income					
Loss after taxation	-	-	-	(75,782,834)	(75,782,834)
Other comprehensive income	-	-	2,277,205	42,548	2,319,753
Total comprehensive income/(loss)	-	-	2,277,205	(75,740,286)	(73,463,081)
Incremental depreciation	-	-	(12,614,670)	12,614,670	-
Transactions with owners	-	-	-	-	-
Balance as at June 30, 2018	836,856,310	(82,899,709)	203,909,733	(760,317,860)	197,548,474
Balance as at July 01, 2018	836,856,310	(82,899,709)	203,909,733	(760,317,860)	197,548,474
Comprehensive income					
Loss after taxation	-	-	-	(81,531,163)	(81,531,163)
Other comprehensive income	-	-	105,204,950	(4,768,666)	100,436,284
Total comprehensive income/(loss)	-	-	105,204,950	(86,299,829)	18,905,121
Surplus on revaluation of property, plant and equipment realised on disposal			(50,294,999)	50,294,999	-
Incremental depreciation	-	-	(9,998,395)	9,998,395	-
Transactions with owners	-	-	-	-	-
Balance as at June 30, 2019	836,856,310	(82,899,709)	248,821,289	(786,324,295)	216,453,595

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	33	(74,736,822)	(43,073,677)
Payments for:			
Employees retirement benefits		(16,404,838)	(7,425,143)
Interest/markup		(10,866,976)	(7,407,826)
Income tax		(9,720,157)	(4,811,563)
Net cash used in operating activities		(111,728,793)	(62,718,209)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(1,000,000)	(91,200)
Proceeds from disposal of property, plant and equipment		110,904,491	-
Net cash generated from/(used in) investing activities		109,904,491	(91,200)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(26,245,608)	(4,500,000)
Net increase in short term borrowings		27,535,519	68,550,097
Net cash generated from financing activities		1,289,911	64,050,097
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(534,391)	1,240,688
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,339,408	1,098,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	1,805,017	2,339,408

The annexed notes from 1 to 50 form an integral part of these financial statements.



CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER



DIRECTOR

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND OPERATIONS

D.S. Industries Limited ['the Company'] is incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company. The Company is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhpura Faisalabad Road, Sheikhpura, in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan 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 and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Going concern assumption

The Company has been facing operational losses mainly due to decrease in yarn selling prices, the on-going power crises, dumping of imported yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved. Further, the Company has disposed off a substantial part of its plant and machinery.

As a result, the Company has incurred gross loss of Rs. 30.899 million and loss after taxation of Rs. 81.531 million. As at June 30, 2019, the Company has accumulated losses of Rs. 786.324 million as at the reporting date and its current liabilities exceed its current assets by Rs. 255.204 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, these financial statements have

(a) The Company has continued financial support of its related parties in the form of interest free loans. During the year, related parties provided financial support amounting to Rs. 43.096 million in the form of interest free loans. (see note

(b) The Company has successfully repaid all its long term debt finances and has, as a result, availed a waiver of Rs.

(c) The Company has remodeled its textile product portfolio switching from loss making yarn to profitable ready to wear

The management is confident that through above factors, the Company will turnaround into a profitable company, subject to impact, if any, of uncontrollable circumstances including power crises and market conditions.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

(a) Business model assessment (see note 6.6.2)

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are

(b) Depreciation method, rates and useful lives of operating fixed assets (see note 6.1.1)

The Company reassesses useful lives, depreciation method and rates for each item of operating fixed assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

(c) Expected credit losses and impairment of financial assets (see note 6.21.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information.

(d) Recoverable amount and impairment of non-financial assets (see note 6.21.2)

The management of the Company reviews carrying amounts of its non-financial assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

(e) Obligation under defined benefit plan (see note 6.5.2)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by

(f) Taxation (see note 6.16)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

(g) Provisions (see note 6.11)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to

(h) Net realizable values of stock in trade (see note 6.4)

The Company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 6.21.1)

When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the expected credit loss rates on financial assets past due had been 10% higher/lower as at the reporting date, the loss allowance on financial assets would have been

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

2.6 Date of authorization for issue

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

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

3.1 IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The Company has applied IFRS 9 in accordance with the provisions set out in the standard.

The date of initial application of IFRS 9 (the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is June 30, 2019. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized as at June 30, 2019. Comparative amounts in relation to instruments that continue to be recognized as at June 30, 2019 have not been restated as allowed by IFRS 9.

Classification and measurement

The classification and measurement requirements for financial liabilities have been substantially carried forward from IAS 39. All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost and accordingly classified as 'financial assets at amortized cost'
- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding subsequently measured at fair value through other comprehensive income and accordingly classified as 'financial assets at fair value through other comprehensive income [FVTOCI]'
- All other financial instruments are subsequently measured at fair value through profit or loss and accordingly classified as 'financial assets at fair value through profit or loss [FVTPL]'

Despite the foregoing, the Company may make an irrevocable election/designation at initial recognition of financial asset:

- To present subsequent changes in fair value of an equity instrument that is not held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income and classify it as
- To designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

When a financial asset measured at FVTOCI is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment except for equity instruments measured at FVTOCI, where the cumulative gain or loss previously recognized in other comprehensive income is

The Company has reviewed and assessed the existing financial assets as at June 30, 2019 based on facts and circumstances that existed at that date and concluded that initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement.

Long term finances	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Trade creditors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Unclaimed dividend	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued interest/markup	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Short term borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term deposits	Loans and receivables	Financial assets at amortized cost
	IAS 39	IFRS 9
Trade debts	Loans and receivables	Financial assets at amortized cost
Advances to employees	Loans and receivables	Financial assets at amortized cost
Bank balances	Loans and receivables	Financial assets at amortized cost

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit loss to have occurred before the same

IFRS 9 requires the Company to measure the loss allowance for financial instrument at an amount equal to lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit-impaired financial asset, the Company is required to measure the loss allowance for that financial asset at an amount equal to 12-months expected credit loss. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade debts, contract assets and lease receivables in certain circumstances.

3.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has reviewed its existing accounting policy for revenue recognition in light of the requirements of IFRS 15 and has concluded that it is already in line with the requirements of the new standard and thus no change in accounting policy or to the amounts reported in these financial statements is required.

3.3 Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

3.4 IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from

3.6 Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 -)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

3.7 Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

3.8 Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan [‘SECP’]:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other

5 CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:

Previous accounting policy	New accounting policy
Impairment of financial assets	
<p>A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.</p> <p>An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>	<p>The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.</p> <p>Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognizes lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.</p> <p>All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes referred to in note 5.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are accounted for under the cost model and are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction,

Major renewals and improvements to operating fixed assets are recognized in the carrying amount if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 17.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.1.3 Spare parts held exclusively for capitalization

These are carried at cost less accumulated impairment. Cost is determined using moving average, except for items in transit, which are carried at invoice price plus related costs incurred up to the reporting date.

6.2 Surplus / deficit arising on revaluation of property, plant and equipment

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognized, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in share capital and reserves. To the extent that the increase reverses a decrease previously recognized in profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the

6.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

6.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw material	Moving average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

6.5 Employee benefits

6.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.5.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation.

6.6 Financial instruments

6.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.6.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at

(a) Financial assets at amortized cost

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

(b) Financial liabilities at amortized cost

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or liabilities that arise when transfer of a financial asset does not qualify for derecognition.

6.6.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

6.6.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or are discharged or cancelled.

6.6.5 Off-setting

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

6.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.9 Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried at cost as adjusted for post acquisition changes in the Company's share of net assets of the associates, less any impairment in the investment. Losses of an associates in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

6.10 Trade and other payables

6.10.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.10.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

6.11 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent

6.12 Trade and other receivables

6.12.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.12.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

6.13 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of yarn. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognized at that point in time, as the control has

6.14 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

6.15 Borrowing costs

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 asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.16 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

6.16.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is

6.16.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.17 Earnings per share ['EPS']

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

Diluted EPS is calculated by adjusting basic EPS by the 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

6.18 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. Interest income on cash and cash equivalents is recognized using effective interest method.

6.19 Operating segment

The Company is a single operating segment based on internal reporting to the Board of Directors of the Company.

6.20 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.21 Impairment**6.21.1 Financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognizes lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or

6.21.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no

6.22 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

		2019	2018
		<i>Rupees</i>	<i>Rupees</i>
7	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
	Ordinary shares of Rs. 10 each		
	53,685,631 (2018: 30,000,000) ordinary shares issued for cash	536,856,310	536,856,310
	30,000,000 (2018: 30,000,000) ordinary shares issued as fully paid bonus shares	300,000,000	300,000,000
		836,856,310	836,856,310
8	DISCOUNT ON ISSUE OF ORDINARY SHARES		
	This represents discount on issue of ordinary shares under section 84 and 86(1) of the repealed Companies Ordinance,		
	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
9	SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
	As at beginning of the year	203,909,733	214,247,198
	Surplus arising during the year		
	Surplus on revaluation	152,326,749	-
	Deferred taxation	(31,743,907)	-
		120,582,842	-
	Surplus reversed during the year on account of impairment		
	Surplus on revaluation	(21,659,003)	-
	Deferred taxation	6,281,111	-
		(15,377,892)	-
	Incremental depreciation transferred to accumulated profits		
	Incremental depreciation for the year	(14,082,247)	(17,767,141)
	Deferred taxation	4,083,852	5,152,471
		(9,998,395)	(12,614,670)
	Surplus realised on disposal		
	Surplus on the assets disposed off	(70,838,027)	-
	Deferred taxation	20,543,028	-
		(50,294,999)	-
	Deferred tax adjustment attributable to changes in tax rates	-	2,277,205
	As at end of the year	248,821,289	203,909,733
10	LONG TERM FINANCES		
	Face value	10.1	98,288,192
	Less: unamortized notional interest	10.2	(15,543,107)
		-	82,745,085
10.1	These represent long term finances utilized under interest/markup arrangements from banking companies		
	MCB Bank Limited	10.1.1	111,288,192
	Current maturity and overdue amounts presented under current liabilities		(13,000,000)
		-	98,288,192

10.1.1 The finance was obtained from MCB Bank Limited on conversion of short term borrowings and accrued markup thereon amounting to Rs. 219.351 million under a restructuring arrangement with the lender. Under the restructuring arrangement, the liability was settled at Rs. 134.308 million with the remaining amount of Rs. 85.04 million pertaining to accrued markup to be waived-off by the lender on successful repayment of liability. The finance was interest free and was secured by charge over operating fixed assets and current assets of the Company, mortgage over land and building of the Company and personal guarantees of the Company's Directors. The finance was carried at amortised cost which was determined using a discount rate of 8.96%, being the average effective borrowing rate of the Company. During the year, the principle has been fully repaid and remaining amount of Rs. 85.04 million pertaining to accrued markup has been waived-off.

10.1.2 For mortgages and charges on assets as security for liabilities, refer to note 40 to the financial statements.

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
10.2 Unamortized notional interest		
As at beginning of the year	15,543,107	-
(Derecognized)/recognized during the year	(15,543,107)	15,543,107
As at end of the year	-	15,543,107

11 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position

The amount recognized on statement of financial position represents present value of defined benefit obligation.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
11.1 Movement in present value of defined benefit obligation			
As at beginning of the year		14,834,639	18,825,729
Charged to profit or loss for the year	11.2	3,119,865	3,493,980
Benefits paid during the year		(16,404,838)	(7,425,143)
Remeasurements recognized in other comprehensive income	11.4	3,696,640	(59,927)
As at end of the year		5,246,306	14,834,639
11.2 Charge to profit or loss			
Current service cost		2,589,287	2,322,710
Interest cost		530,578	1,171,270
		3,119,865	3,493,980
11.3 The charge to profit or loss has been allocated as follows			
Cost of sales	25.2	1,153,354	2,519,739
Administrative and general expenses	27.1	1,966,511	974,241
		3,119,865	3,493,980
11.4 Remeasurements recognized in other comprehensive income			
Actuarial loss/(gain) arising from changes in:			
Experience adjustments		3,696,640	(59,927)
		3,696,640	(59,927)

11.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2019	2018
Discount rate	12.50%	8.00%
Expected rates of increase in salary	11.50%	7.00%

11.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is seven years.

11.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2020 amounts to Rs. 1.74 million.

11.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2019		2018	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		Rupees		Rupees
Discount rate	+ 1%	4,745,731	+ 1%	13,308,009
	- 1%	5,822,749	- 1%	16,610,173
Expected rate of increase in salary	+ 1%	5,822,749	+ 1%	16,610,173
	- 1%	4,737,394	- 1%	13,281,328

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

11.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on government bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	2019	2018
		Rupees	Rupees
12 TRADE AND OTHER PAYABLES			
Trade creditors		8,117,042	76,295,005
Accrued liabilities		17,691,416	46,928,426
Advances from customers		57,991,610	53,245,070
Workers' Profit Participation Fund	12.1	256,428	2,235,571
Workers' Welfare Fund	12.2	-	1,359,785
Tax deducted at source		5,279,097	8,200,402
		89,335,593	188,264,259

Annual Report June 30, 2019

	<i>Note</i>	2019 <i>Rupees</i>	2018 <i>Rupees</i>
12.1 Workers' Profit Participation Fund			
As at beginning of the year		2,235,571	8,414,830
Interest on funds utilized by the Company	12.1.1	256,428	242,965
Paid during the year		(2,235,571)	(6,422,224)
As at end of the year		256,428	2,235,571

12.1.1 Interest is charged at 16.68% (2018: 12.19%) per annum.

	<i>Note</i>	2019 <i>Rupees</i>	2018 <i>Rupees</i>
12.2 Workers' Welfare Fund			
As at beginning of the year		1,359,785	2,717,171
Paid during the year		(1,359,785)	(1,357,386)
As at end of the year		-	1,359,785

12.2.1 This represents amount distributed to the Company's workers.

13 SHORT TERM BORROWINGS

Secured

This represent short term finances utilized under interest/markup arrangements from banking company

Running finances	13.1	109,994,856	109,138,669
------------------	------	-------------	-------------

Unsecured

Loan from related parties - <i>subordinate</i>	13.2	76,945,084	50,265,752
--	------	------------	------------

		186,939,940	159,404,421
--	--	--------------------	--------------------

13.1 This facility has been obtained from Silk Bank Limited for working capital requirements and carries interest/markup at three months KIBOR plus 5.50% (2018: three months KIBOR plus 5.50%) per annum, payable quarterly. This facility is secured by charge over present and future current assets and operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors.

The aggregate available short term funded facility amounts to Rs. 110 million (2018: Rs. 110 million) out of which Rs. 5,144 (2018: Rs. 861,331) remained unavailed as at the reporting date.

13.2 These represent temporary loans obtained from related parties and are unsecured and interest free. Details are as

	<i>Note</i>	2019 <i>Rupees</i>	2018 <i>Rupees</i>
As at beginning of the year		50,265,752	41,228,564
Obtained during the year		43,095,584	24,442,000
Repaid during the year		(16,416,252)	(15,404,812)
As at end of the year		76,945,084	50,265,752

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Gas Infrastructure Development Cess [GIDC] has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GIDC Ordinance 2014 and GIDC Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC. On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDC Act 2015 is ultra vires to the constitution of Pakistan. The Company has not recognised any provision relating to GIDC aggregating to Rs.

14.2 Commitments

There are no known commitments as at the reporting date.

15.2 Disposal of property, plant and equipment

Particulars	2019				Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees		
Plant and machinery						
Blow Room Machines	9,945,764	2,401,580	7,544,184	3,700,000	(3,844,184)	Khalid Umair, Faisalabad
9-Cards	16,474,392	3,978,033	12,496,359	1,260,000	(11,236,359)	Javed Ahmed, Lahore
2-Cards	1,294,558	312,594	981,964	400,000	(581,964)	Khalid Umair, Faisalabad
5-Cards	7,475,094	573,115	6,901,979	1,350,000	(5,551,979)	Javed Ahmed, Lahore
2-Cards	1,222,068	510,469	711,599	250,000	(461,599)	Javed Ahmed, Lahore
4-Combers & 1 Lap Former	4,772,441	2,157,123	2,615,318	1,250,000	(1,365,318)	Khalid Umair, Faisalabad
2-Drawing Frames	1,136,295	513,601	622,694	500,000	(122,694)	Combine Spinning, Lahore
3-Drawing Frames	2,978,368	1,229,241	1,749,127	900,000	(849,127)	Javed Ahmed, Lahore
1-Drawing Frames	4,108,710	992,120	3,116,590	400,000	(2,716,590)	Chaudhary Shahbaz, Lahore
2-Drawing Frames	1,392,218	336,176	1,056,042	4,000,000	2,943,958	North Star Textiles Limited, Lahore
4-Fly Frames	7,235,902	3,270,597	3,965,305	2,100,000	(1,865,305)	Javed Ahmed, Lahore
3-Fly Frames	9,431,031	2,277,289	7,153,742	2,800,000	(4,353,742)	Javed Ahmed, Lahore
1-Simplex FL-16	1,490,636	359,940	1,130,696	1,400,000	269,304	Khalid Umair, Faisalabad
21-Ring Frames	21,009,162	6,630,036	14,379,126	23,250,000	8,870,874	A.G Textile Mills, Faisalabad
8-Ring Frames	11,395,816	4,464,632	6,931,184	7,000,000	68,816	A.G Textile Mills, Faisalabad
50-Ring Frames	72,022,982	17,750,988	54,271,994	33,146,491	(21,125,503)	A.G Textile Mills, Faisalabad
1-Grinding Machine	1,373,934	331,761	1,042,173	700,000	(342,173)	Javed Ahmed, Lahore
1-Autoconer 7/II	8,238,220	3,723,640	4,514,580	740,000	(3,774,580)	Javed Ahmed, Lahore
1-Autoconer 7/II	8,238,220	3,723,640	4,514,580	740,000	(3,774,580)	Javed Ahmed, Lahore
1-Autoconer 21-C	7,921,691	710,115	7,211,576	2,000,000	(5,211,576)	FAG Textile, Sheikhpura
1-Autoconer 7/II	2,233,776	921,931	1,311,845	950,000	(361,845)	Combine Spinning, Lahore
1-Autoconer 7/II	2,233,776	921,931	1,311,845	740,000	(571,845)	Javed Ahmed, Lahore
3-Autoconer 21-C	34,803,182	8,801,930	26,001,252	13,240,000	(12,761,252)	Green House, Faisalabad
1-Autoconer 7/II	8,699,570	2,100,665	6,598,905	740,000	(5,858,905)	Javed Ahmed, Lahore

Particulars	2019				Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees		
Transformer	731,274	56,067	675,207	800,000	124,793	A.G Textile Mills, Faisalabad
Transformer	15,753,286	5,976,565	9,776,721	2,950,000	(6,826,721)	A.G Textile Mills, Faisalabad
Boge Compressor	1,367,554	330,220	1,037,334	1,098,000	60,666	FAG Textile, Sheikhpura
2-Air Compressors	1,795,274	811,457	983,817	1,000,000	16,183	Chaudhary Shahbaz, Lahore
Vehicles	266,775,194	76,167,456	190,607,738	109,404,491	(81,203,247)	
Corolla Altis LEE-13-330	2,212,000	1,583,816	628,184	1,500,000	871,816	Abdul Sattar - Lahore
	268,987,194	77,751,272	191,235,922	110,904,491	(80,331,431)	

15.3 There were no disposal of property, plant and equipment during the year ended June 30, 2018.

Annual Report June 30, 2019

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
15.4	The depreciation charge for the year has been allocated as follows:		
Cost of sales	25	26,711,586	31,189,232
Administrative and selling expenses	27	530,761	756,281
		27,242,347	31,945,513

- 15.5** Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Excel Services and Engineering (Private) Limited [Formerly Excel Enterprises] as on June 30, 2019. For basis of valuation and other fair value measurement disclosures, refer to note 39.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been

	2019		
	Cost <i>Rupees</i>	Accumulated depreciation <i>Rupees</i>	Net book value <i>Rupees</i>
Freehold land	5,382,168	-	5,382,168
Buildings on freehold land	129,490,940	95,493,680	33,997,260
Plant and machinery	52,767,346	18,880,151	33,887,195
Electric installation	23,915,115	17,736,228	6,178,887
	2018		
	Cost <i>Rupees</i>	Accumulated depreciation <i>Rupees</i>	Net book value <i>Rupees</i>
Freehold land	5,382,168	-	5,382,168
Buildings on freehold land	129,490,940	91,716,207	37,774,733
Plant and machinery	219,397,414	58,618,052	160,779,362
Electric installation	23,915,115	17,049,685	6,865,430

- 15.6** As per most recent valuation, forced sale values of freehold land, buildings on freehold land, plant and machinery and electric installations are as follows:

	<i>Rupees</i>
Freehold land	87,626,500
Buildings on freehold land	202,310,200
Plant and machinery	11,565,100
Electric installation	12,750,000
	314,251,800

16 LONG TERM INVESTMENTS

This represents investment in ordinary shares of associates. The investments has been accounted for by using equity method. The details are as follows:

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
Pervez Ahmed Consultancy Services Limited (Formerly Pervez Ahmed Securities Limited)	16.1	-	-
Pervez Ahmed Capital (Private) Limited	16.2	72,078,491	85,463,366
		72,078,491	85,463,366

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
16.1 Pervez Ahmed Consultancy Services Limited (Formerly Pervez Ahmed Securities Limited)		
Cost of investment	3,412,243	3,412,243
Share of post acquisition losses	(1,543,471)	(1,538,253)
Share of post acquisition changes in equity	(160,258)	(160,258)
Accumulated impairment	(1,708,514)	(1,713,732)
	-	-
	<i>No. of shares</i>	<i>No. of shares</i>
Number of shares held	61,550	61,550
	<i>% age</i>	<i>% age</i>
Percentage of ownership interest	0.03	0.03
	<i>Rupees</i>	<i>Rupees</i>
Market value per share	0.52	0.96

16.1.1 Extracts of financial statements of Pervez Ahmed Consultancy Services Limited (Formerly Pervez Ahmed Securities Limited)

The assets and liabilities of Pervez Ahmed Consultancy Services Limited (Formerly Pervez Ahmed Securities Limited) as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Assets	91,969,141	112,832,467
Liabilities	649,300,748	654,347,517
Loss for the year	15,816,557	60,188,881
Share of loss	5,218	19,857

16.2 Pervez Ahmed Capital (Private) Limited

Cost of investment	85,000,000	85,000,000
Share of post acquisition (losses)/profit	(12,921,509)	463,366
	72,078,491	85,463,366
	<i>No. of shares</i>	<i>No. of shares</i>
Number of shares held	7,727,000	7,727,000
	<i>% age</i>	<i>% age</i>
Percentage of ownership interest	44.88	44.88
	<i>Rupees</i>	<i>Rupees</i>
Break-up value per share	9.33	11.06

16.2.1 Extracts of financial statements of Pervez Ahmed Capital (Private) Limited

The assets and liabilities of Pervez Ahmed Capital (Private) Limited as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as follows:

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Assets	160,931,736	194,359,920
Liabilities	326,455	3,930,464
Loss for the year	29,824,175	25,051,177
Share of loss	13,384,875	11,242,787

	Note	2019	2018
		<i>Rupees</i>	<i>Rupees</i>

17 DEFERRED TAXATION

Deferred tax asset on deductible temporary differences	17.1	82,941,387	81,870,823
Deferred tax liability on taxable temporary differences	17.1	(69,018,014)	(101,649,677)
Net deferred tax asset/(liability)		13,923,373	(19,778,854)

17.1 Recognized deferred liabilities and tax assets

Deferred tax liabilities and assets are attributable to the following:

	2019			
	As at July 01, 2018 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in OCI <i>Rupees</i>	As at June 30, 2019 <i>Rupees</i>
Deferred tax assets				
Employees retirement benefits	4,302,045	(1,708,590)	(1,072,026)	1,521,429
Provisions	496,982	2,512,407	-	3,009,389
Unused tax losses and credits	77,071,796	1,338,773	-	78,410,569
	81,870,823	2,142,590	(1,072,026)	82,941,387
Deferred tax liabilities				
Operating fixed assets	(101,649,677)	58,094,459	(25,462,796)	(69,018,014)
	(19,778,854)	60,237,049	(26,534,822)	13,923,373
	2018			
	As at July 01, 2017 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in OCI <i>Rupees</i>	As at June 30, 2018 <i>Rupees</i>
Deferred tax assets				
Employees retirement benefits	5,647,719	(1,328,295)	(17,379)	4,302,045
Provisions	520,077	(23,095)	-	496,982
Unused tax losses and credits	106,247,409	(29,175,613)	-	77,071,796
	112,415,205	(30,527,003)	(17,379)	81,870,823
Deferred tax liabilities				
Operating fixed assets	(111,481,749)	7,554,867	2,277,205	(101,649,677)
	933,456	(22,972,136)	2,259,826	(19,778,854)

17.2 Deferred tax asset on unused tax credits amounting to Rs. 23.75 million (2018: Rs. 21.94 million) has not been recognized as sufficient taxable profits are not expected to be available in future against which this could be utilized. The deferred tax asset on unused tax losses has been recognized only the extent of unabsorbed tax depreciation losses as these are available for use for an infinite period under the present income tax laws.

17.3 Deferred tax has been calculated at 29% (2018: 29%) of the temporary differences as at the reporting date based on tax rates notified by the Government of Pakistan for future tax years.

18 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>

19 STORES, SPARES AND LOOSE TOOLS

Stores		1,915,756	529,159
Spares		-	579,974
		1,915,756	1,109,133

19.1 There are no spare parts exclusively held for capitalization as at the reporting date.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>

20 STOCK IN TRADE

Raw material		4,560,150	40,251,466
Work in process		2,790,100	9,999,900
Finished goods		1,965,933	2,157,000
Waste		-	1,702,024
		9,316,183	54,110,390

20.1 Entire stock in trade, with exception of stock of waste, is carried at cost being lower than net realizable value.

20.2 Details of stock pledged as security are referred to in note 40 to the financial statements.

21 TRADE DEBTS

Trade debts	<i>21.1</i>	21,611,084	30,809,522
Impairment allowance for expected credit losses	<i>21.2</i>	(8,668,690)	-
		12,942,394	30,809,522

21.1 This includes receivable from related parties, amounting to Rs. 11,685,975 (2018: Rs. 23,117,111) against sale of goods. Maximum balance due from the related parties at any time during the year amounted to Rs. 11,685,975 (2018: 30,809,522). The analysis of age is as follows:

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
Neither past due nor impaired		-	-
Past due by upto 30 days		1,706,352	7,580,000
Past due by 31 days to 180 days		5,656,137	15,537,111
Past due by 180 days or more		4,323,486	-
		11,685,975	23,117,111

21.2 Impairment allowance for expected credit losses

As at beginning of the year		-	-
Recognized during the year	28	8,668,690	-
As at end of the year		8,668,690	-

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
22 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers		443,173	3,005,729
Advances to employees	22.1	2,042,941	3,097,215
Prepayments		-	55,518
Sales tax refundable		4,401,274	6,435,630
		6,887,388	12,594,092

22.1 These represent advances to employees for expenses on behalf of the Company and those against salaries in accordance with the Company policy. No advances have been given to any of the directors of the Company.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
23 BANK BALANCES			
Current accounts		1,791,574	1,951,975
Deposit/saving accounts	23.1	13,443	387,433
		1,805,017	2,339,408

23.1 Effective markup rate in respect of saving and deposit accounts ranges from 3.75% to 5.25% (2018: 3.5% to 5%) per annum.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
24 SALES - NET			
Yarn		479,110,328	657,133,310
Cotton		66,926,317	33,381,285
Fabric		-	6,960,576
Garments		18,279,437	-
Waste		18,928,007	20,371,004
		583,244,089	717,846,175
Sales tax		(1,509,311)	-
		581,734,778	717,846,175

24.1 Payments from customers against sale of goods is typically due at the end of credit period ranging from 30 days to 120

24.2 Sales for the year include Rs. 43,503,941 (2018: Rs. 28,795,227) against advances from customers at the beginning of the

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
25 COST OF SALES			
Raw material consumed	25.1	336,142,805	424,815,978
Cost of cotton sold		66,926,317	33,381,285
Cost of fabric sold		-	6,960,576
Stores and spares consumed		7,019,958	18,458,950
Salaries, wages and benefits	25.2	72,047,022	92,540,901
Power and fuel		89,416,613	117,981,927
Traveling and conveyance		1,214,103	1,043,140
Repair and maintenance		972,650	2,215,400
Insurance		1,506,478	1,473,232
Entertainment		430,357	664,032
Depreciation	15.4	26,711,586	31,189,232
Others		1,143,376	1,041,125
Manufacturing cost		603,531,265	731,765,778
Work in process			
As at beginning of the year		9,999,900	12,868,500
As at end of the year		(2,790,100)	(9,999,900)
		7,209,800	2,868,600
Cost of goods manufactured		610,741,065	734,634,378
Finished goods			
As at beginning of the year		2,157,000	1,971,000
As at end of the year		(1,965,933)	(2,157,000)
		191,067	(186,000)
Waste			
As at beginning of the year		1,702,024	704,348
As at end of the year		-	(1,702,024)
		1,702,024	(997,676)
		612,634,156	733,450,702
25.1 Raw material consumed			
As at beginning of the year		40,251,466	19,671,543
Purchased during the year		367,377,806	478,777,186
Sold during the year		(66,926,317)	(33,381,285)
As at end of the year		(4,560,150)	(40,251,466)
		336,142,805	424,815,978
25.2	These include charge in respect of employees retirement benefits amounting to Rs. 1,153,354 (2018: Rs. 2,519,739).		
		2019	2018
		<i>Rupees</i>	<i>Rupees</i>
26 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits		625,000	570,000
Insurance		-	88,891
Advertising and publicity		72,280	110,160
Freight and forwarding		1,744,449	1,083,221
		2,441,729	1,852,272

Annual Report June 30, 2019

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
27 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration		8,850,000	4,987,500
Salaries and benefits	27.1	12,594,458	10,655,184
Communication		1,989,883	1,005,742
Traveling and conveyance		1,358,354	1,643,035
Printing and stationery		180,545	343,081
Repair and maintenance		513,682	572,384
Vehicles running and maintenance		1,736,741	2,150,338
Rent, rates and taxes		868,341	1,121,313
Entertainment		1,158,934	938,514
Insurance		374,686	339,187
Legal and professional		295,360	318,000
Utilities		2,631,265	2,077,194
Fee and subscription		974,698	1,580,132
Auditor's remuneration	27.2	645,000	645,000
Depreciation	15.4	530,761	756,281
		34,702,708	29,132,885
27.1	These include charge in respect of employees retirement benefits amounting to Rs. 1,966,511 (2018: Rs. 974,241).		
	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
27.2 Auditor's remuneration			
Annual statutory audit		525,000	525,000
Limited scope review		105,000	105,000
Out of pocket expenses		15,000	15,000
		645,000	645,000
28 OTHER EXPENSES			
Loss on financial instruments			
Impairment allowance for expected credit losses	21.2	8,668,690	-
Foreign exchange loss		4,702,278	4,924,415
		13,370,968	4,924,415
Other expenses			
Donations	28.1	666,082	1,142,188
Impairment of property, plant and equipment		20,281,195	-
Loss on disposal of property, plant and equipment		80,331,431	-
		101,278,708	1,142,188
		114,649,676	6,066,603
28.1	None of the directors or their spouses had any interest in the donees.		
	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
29 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		58,803	26,905
Reversal of impairment of long term investment	16.1	5,218	-
Excess accrued liabilities written back	12	9,414,598	1,817,209
Waiver of debt finances and accrued markup thereon	29.1	85,042,584	12,351,641
		94,521,203	14,195,755

- 29.1 This represents long term finance and markup thereon waived of by banking company on settlement in accordance with a restructuring arrangement. (see note 10.1.1).

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
30 FINANCE COST			
Interest/markup on short term borrowings		16,316,719	8,837,884
Interest on workers' profit participation fund	12.1	256,428	242,965
Bank charges and commission		867,892	596,560
		17,441,039	9,677,409
31 TAXATION			
Current taxation			
for current year	31.1	7,221,685	8,973,077
Deferred taxation	17.1		
attributable to origination and reversal of temporary differences		(60,237,049)	20,663,816
attributable to changes in tax rates		-	2,308,320
		(60,237,049)	22,972,136
		(53,015,364)	31,945,213

- 31.1 Provision for taxation has been made under section 113 (2018: section 113) of the Income Tax Ordinance, 2001 [the Ordinance]. There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation

- 31.2 Assessments for the tax years up to 2018 have either been finalized or are deemed assessments in terms of section 120(1) of the Ordinance, as per returns filed by the Company.

	<i>Unit</i>	2019	2018
32 LOSS PER SHARE - BASIC AND DILUTED			
Loss attributable to ordinary shareholders	<i>Rupees</i>	(81,531,163)	(75,782,834)
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	83,685,631	83,685,631
Loss per share - <i>Basic</i>	<i>Rupees</i>	(0.97)	(0.91)

There is no anti-dilutive effect on the basic loss per share of the Company.

Annual Report June 30, 2019

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
33 CASH GENERATED FROM OPERATIONS			
Loss before taxation		(134,546,527)	(43,837,621)
Adjustments for non-cash and other items			
Interest/markup on borrowings		16,316,719	8,837,884
Notional interest		15,543,107	(15,543,107)
Impairment allowance for expected credit losses		8,668,690	-
Liabilities written back		(9,414,598)	(1,817,209)
Waiver of debt finances and accrued markup thereon		(85,042,584)	(12,351,641)
Impairment of property, plant and equipment		20,281,195	-
Loss on disposal of property, plant and equipment		80,331,431	-
Reversal of impairment of long term investment		(5,218)	-
Share of loss of associates		13,390,093	11,242,787
Provision for employees retirement benefits		3,119,865	3,493,980
Depreciation		27,242,347	31,945,513
Operating loss before changes in working capital		90,431,047	25,808,207
Changes in working capital			
Stores, spares and loose tools		(806,623)	(59,929)
Stock in trade		44,794,207	(18,894,999)
Trade debts		9,198,438	(16,336,025)
Advances, prepayments and other receivables		5,706,704	329,232
Trade and other payables		(89,514,068)	9,917,458
		(30,621,342)	(25,044,263)
Cash used in operations		(74,736,822)	(43,073,677)
34 CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	1,805,017	2,339,408
		1,805,017	2,339,408
35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES			

Related parties from the Company's perspective comprise sponsors of the Company, associated companies and undertakings and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the
Pervez Ahmed	Key management personnel	Chief executive officer	10.025%
Rehana Pervez Ahmed	Spouse of director	Spouse of director	16.670%
Suleman Ahmed	Key management personnel	Director	0.075%
Mr Hassan Ibrahim	Key management personnel	Director	3.065%
Ali Pervez Ahmed	Key management personnel	Director	4.315%
Pervez Ahmed Capital (Private) Limited	Associated company	Common directorship	0.020%
Origins	Sole proprietorship	Close family member of director	N/A
Infinite Buying Services	Associated company	Common directorship	N/A
D.S. Textiles Limited	Associated company	Common directorship	3.506%
Mausummary Lawn	Sole proprietorship	Close family member of director	N/A

Transactions with sponsors are limited to provision of interest free loans to the Company and issuance of ordinary shares and those with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associates and associated undertakings and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction, with the exception of borrowings, which are interest free.

Details of transactions and balances with related parties is as follows:

		2019	2018
		<i>Rupees</i>	<i>Rupees</i>
35.1	Transactions with related parties		
	Nature of relationship	Nature of transactions	
	Associated companies and undertakings	Sales Cotton processing charges Short term borrowings obtained - <i>net</i>	31,468,100 - 5,423,355
	Sponsors	Short term borrowings obtained - <i>net</i>	3,613,833
	Key management personnel	Short-term employee benefits	4,987,500
35.2	Balances with related parties		
	Nature of relationship	Nature of balance	
	Associated companies and undertakings	Trade debts Short term borrowings	23,117,111 19,225,000
	Key management personnel	Short-term employee benefits payable	12,996,695
	Sponsors	Short term borrowings	31,040,752

36 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		Note	2019	2018
			<i>Rupees</i>	<i>Rupees</i>
36.1	Financial assets			
	<i>Financial assets at amortized cost</i>			
	Long term deposits	18	19,072,394	19,072,394
	Trade debts	21	12,942,394	30,809,522
	Advances to employees	22	2,042,941	3,097,215
	Bank balances	23	1,805,017	2,339,408
			35,862,746	55,318,539
36.2	Financial liabilities			
	<i>Financial liabilities at amortized cost</i>			
	Long term finances	10	-	111,288,192
	Trade creditors	12	8,117,042	76,295,005
	Accrued liabilities	12	17,691,416	46,928,426
	Unclaimed dividend		337,563	337,563
	Accrued interest/markup		8,314,087	2,864,344
	Short term borrowings	13	186,939,940	159,404,421
			221,400,048	397,117,951

37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

37.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its

37.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade debts and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade debts to have low credit risk where the customer has a good

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade debts: Lifetime ECL Other assets: Twelve month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

37.1.2 Exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
Financial assets at amortized cost			
Long term deposits	18	19,072,394	19,072,394
Trade debts	21	21,611,084	30,809,522
Advances to employees	22	2,042,941	3,097,215
Bank balances	23	1,805,017	2,339,408
		44,531,436	55,318,539

37.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	<i>Note</i>	External rating	Internal risk grading	12-month or life-time ECL	Gross carrying amount	Loss allowance
Long term deposits	18	N/A	Performing	12-month ECL	19,072,394	-
Trade debts	21	N/A	Performing	Lifetime ECL	21,611,084	8,668,690
Advances to employees	22	N/A	Performing	Lifetime ECL	2,042,941	-
Bank balances	23	A2 - A1+	N/A	12-month ECL	1,805,017	-
					44,531,436	8,668,690

(a) Long term deposits

Long term deposits comprise security deposits placed with various utility companies and regulatory authorities. These deposits are substantially perpetual in nature. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(b) Trade debts

For trade debts, the Company has applied the simplified approach in IFRS9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade debts by using internal credit risk gradings. As at the reporting date, all trade debts are considered 'performing', except for which impairment allowance has been made, as there is no significant increase in credit risk in respect of these debts since initial recognition. The ageing analysis of trade debts as at the reporting date is as follows:

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
Neither past due nor impaired		-	-
Past due by upto 30 days		1,706,352	7,580,000
Past due by 31 days to 180 days		6,912,556	18,332,342
Past due by 180 days or more		12,992,176	4,897,180
		21,611,084	30,809,522

(c) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. Accordingly, these are considered to have no credit risk.

(d) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

37.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade debts. The Company's three (2018: two) significant customers account for Rs. 42.853 million (2018: Rs. 28.01 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2018: 10%) of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

37.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets.

37.1.6 Changes in impairment allowance for expected credit losses

The changes in impairment allowance for expected credit losses have been presented in note 21.2.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

37.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company has continued support of its sponsors and other related parties in respect of any

37.2.2 Exposure to liquidity risk

The following presents the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and includes both interest/markup and principal cash flows. To the extent that interest/markup flows are floating rate, the undiscounted amount is derived from interest/markup rate curves at the reporting date.

	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	-	-	-	-	-
Trade creditors	8,117,042	8,117,042	8,117,042	-	-
Accrued liabilities	17,691,416	17,691,416	17,691,416	-	-
Unclaimed dividend	337,563	337,563	337,563	-	-
Accrued interest/markup/profit	8,314,087	8,314,087	8,314,087	-	-
Short term borrowings	#####	186,939,940	186,939,940	-	-
	#####	221,400,048	221,400,048	-	-
	2018				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	#####	111,288,192	111,288,192	-	-
Trade creditors	76,295,005	46,165,450	46,165,450	-	-
Accrued liabilities	46,928,426	241,195,445	241,195,445	-	-
Unclaimed dividend	337,563	4,908,619	4,908,619	-	-
Accrued interest/markup/profit	2,864,344	51,481,017	51,481,017	-	-
Short term borrowings	#####	159,404,421	159,404,421	-	-
	#####	614,443,144	614,443,144	-	-

37.3 Market risk**37.3.1 Currency risk**

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to currency risk.

37.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is not exposed to interest risk.

37.3.3 Other price risk

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

38 CAPITAL MANAGEMENT

The objectives of the Company, while managing capital are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meet stakeholders' expectations. The Company's objective is to ensure its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising option of issuing right shares or, where possible, repurchasing shares, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating dividend payout. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances, including current maturity. Total capital employed includes equity, as shown in the statement of financial position and debt.

	<i>Unit</i>	2019	2018
Total debt	<i>Rupees</i>	-	111,288,192
Total equity	<i>Rupees</i>	216,453,595	197,548,474
		216,453,595	308,836,666
Gearing	<i>% age</i>	0.00%	36.03%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finances.

39 FAIR VALUE MEASUREMENTS

The Company measures some of its financial assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

39.1 Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

39.2 Assets and liabilities other than financial instruments.**39.2.1 Recurring fair value measurements**

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2019 Rupees	2018 Rupees
Freehold land	-	103,090,000	-	103,090,000	60,225,000
Buildings	-	238,012,000	-	238,012,000	150,205,711
Plant and machinery	-	13,606,000	-	13,606,000	255,872,626
Electric installations	-	15,000,000	-	15,000,000	9,294,569

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 5.155 million
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 11.901 million (2018: Rs. 7.51 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 0.68 million (2018: Rs. 12.794 million).
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of electric installation by Rs. 750,000 (2018: Rs. 464,728).

Reconciliation of fair value measurements categorized in Level 2 is presented in note 15.

There were no transfers between fair value hierarchies during the year.

39.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
40 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY		
Mortgages and charges		
Charge over current assets	318,000,000	318,000,000
Charge over operating fixed assets	840,000,000	840,000,000

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2019		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	6,000,000	2,850,000	-
Allowances and perquisites	-	-	-
Post employment benefits	-	-	-
	6,000,000	2,850,000	-
Number of persons	1	1	-

	2018		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	-	3,217,746	-
Allowances and perquisites	-	1,769,754	-
Post employment benefits	-	-	-
	-	4,987,500	-
Number of persons	-	2	-

42 SEGMENT INFORMATION

42.1 The Company is a single reportable segment.

42.2 All non-current assets of the Company are situated in Pakistan.

42.3 All sales of the Company have originated from Pakistan.

42.4 There are two (2018: three) significant external customers to whom sales in excess of 10% of the Company's total sales amounting to Rs. 245.35 million (2018: Rs. 351.94 million) were made during the year.

43 SHARES IN THE COMPANY HELD BY ASSOCIATED UNDERTAKINGS AND RELATED PARTIES

Ordinary shares in the Company held by associated undertakings and related parties, other than chief executive and directors, are as follows:

	2019	2018
	<i>No. of shares</i>	<i>No. of shares</i>
D.S. Textiles Limited	2,904,221	2,904,221
D.S. Apparel (Private) Limited	6,000	6,000
Ali Pervez Capital (Private) Limited	18	18
Infinite Securities Limited	-	1,527,000
Pervez Ahmed Capital (Private) Limited	-	16,923
	2,910,239	4,454,162

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Unit</i>	2019	2018
Number of spindles installed	<i>No.</i>	30,771	40,320
Plant capacity on the basis of utilization converted into 20s count	<i>Kgs</i>	8,496,432	11,125,727
Actual production converted into 20s count	<i>Kgs</i>	4,534,141	6,315,551

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power shortage in the country has also resulted in lower capacity utilization.

45 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees	68	576
Average number of employees	365	494

46 NON-CASH INVESTING ACTIVITIES

During the year, revaluation surplus on property, plant and equipment amounting to Rs. 152.327 million and Rs. 21.659 was recognised and reversed respectively on operating fixed assets note 15.

47 NON-CASH FINANCING ACTIVITIES

During the year, long term finances amounting to Rs. 85.043 million were waiver off as referred to in note 10.

48 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements

49 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to the appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial

50 GENERAL

50.1 Figures have been rounded off to the nearest rupee.

50.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.


CHIEF EXECUTIVE**CHIEF FINANCIAL OFFICER**

DIRECTOR

**D S Industries Limited
Pattern of Shareholding
As At June 30, 2018**

Number of Shareholders	Shareholding From	To	Total Number of Shares Held	%age
211	1	100	8,741	0.010
236	101	500	103,987	0.124
313	501	1,000	306,071	0.366
613	1,001	5,000	1,958,995	2.341
270	5,001	10,000	2,242,834	2.680
73	10,001	15,000	966,364	1.155
57	15,001	20,000	1,050,342	1.255
49	20,001	25,000	1,172,535	1.401
34	25,001	30,000	979,200	1.170
12	30,001	35,000	399,985	0.478
30	35,001	40,000	1,151,283	1.376
13	40,001	45,000	561,000	0.670
27	45,001	50,000	1,333,718	1.594
8	50,001	55,000	426,500	0.510
10	55,001	60,000	588,500	0.703
8	60,001	65,000	509,000	0.608
4	65,001	70,000	273,000	0.326
4	70,001	75,000	293,361	0.351
4	75,001	80,000	313,000	0.374
7	80,001	85,000	571,701	0.683
4	85,001	90,000	352,000	0.421
2	90,001	95,000	183,500	0.219
19	95,001	100,000	1,897,000	2.267
3	100,001	105,000	309,000	0.369
2	105,001	110,000	220,000	0.263
4	110,001	115,000	448,500	0.536
1	115,001	120,000	120,000	0.143
1	120,001	125,000	122,000	0.146
1	125,001	130,000	130,000	0.155
4	130,001	135,000	535,500	0.640
1	135,001	140,000	139,500	0.167
1	140,001	145,000	143,000	0.171
3	145,001	150,000	446,500	0.534
1	150,001	155,000	151,500	0.181
2	155,001	160,000	316,500	0.378
1	160,001	165,000	164,000	0.196
4	165,001	170,000	672,000	0.803
2	170,001	175,000	346,500	0.414
4	180,001	185,000	739,000	0.883
1	185,001	190,000	188,500	0.225
2	195,001	200,000	400,000	0.478
1	200,001	205,000	203,500	0.243
1	205,001	210,000	208,500	0.249
1	210,001	215,000	211,500	0.253
2	215,001	220,000	433,000	0.517
2	235,001	240,000	478,500	0.572
2	240,001	245,000	490,000	0.586
1	245,001	250,000	248,000	0.296
1	250,001	255,000	254,000	0.304
1	255,001	260,000	258,000	0.308
1	270,001	275,000	272,000	0.325
1	275,001	280,000	276,000	0.330
1	290,001	295,000	293,500	0.351
1	295,001	300,000	300,000	0.358
2	325,001	330,000	660,000	0.789
3	335,001	340,000	1,019,882	1.219
1	345,001	350,000	350,000	0.418
1	350,001	355,000	351,500	0.420
1	370,001	375,000	375,000	0.448
1	395,001	400,000	400,000	0.478
1	430,001	435,000	430,500	0.514
1	475,001	480,000	477,000	0.570
2	590,001	595,000	1,184,000	1.415
1	595,001	600,000	600,000	0.717
1	640,001	645,000	641,000	0.766
1	655,001	660,000	659,500	0.788
1	670,001	675,000	675,000	0.807
1	695,001	700,000	700,000	0.836
1	700,001	705,000	703,500	0.841
1	705,001	710,000	707,800	0.846
1	720,001	725,000	721,500	0.862
1	805,001	810,000	810,000	0.968
1	810,001	815,000	812,736	0.971
1	1,000,001	1,005,000	1,005,000	1.201
2	1,495,001	1,500,000	2,997,500	3.582
1	1,525,001	1,530,000	1,527,000	1.825
1	1,675,001	1,680,000	1,676,500	2.003
1	2,030,001	2,035,000	2,034,721	2.431
1	2,100,001	2,105,000	2,101,500	2.511
1	3,610,001	3,615,000	3,610,667	4.315
1	6,630,001	6,635,000	6,631,183	7.924
1	9,300,001	9,305,000	9,301,500	11.115
1	13,360,001	13,365,000	13,360,025	15.965

2096

83,685,631

100.000

D S Industries Limited
Categories of Shareholders
As At June 30, 2019

Categories	Number	Shares Held	Percentage
Associated Companies & Related Parties			
D.S.Textiles Limited	1	2,904,221	-83.373
D.S.Apparel (Pvt.) Limited	1	6,000	-0.172
Ali Pervez Capital (pvt.) Limited	1	18	-0.001
Chief Executive & Directors			
Mr. Pervez Ahmed - Chief Executive	1	8,389,183	-240.832
Mr. Ali Pervez Ahmed	1	3,610,667	-103.653
Mr. Suleman Ahmed	1	62,666	-1.799
Mrs Rukhsana Khalid	1	10,000	-0.287
Mr. Atta Ur Rehman	1	2,000	-0.057
Mr. Khawar Mahmud	1	1,000	-0.029
Mr. Mazhar Pervaiz Malik	1	1,000	-0.029
Mrs. Rehana Pervez Ahmed W/o Mr. Pervez Ahmed	1	12,011,025	-344.805
NIT & ICP	1	339,882	-9.757
Banks, DFI and NBFIs	4	71,749	-2.060
Insurance Companies	1	31,985	-0.918
General Public (Local)	2,008	47,167,577	-1354.058
General Public (Foreign)	45	2,283,184	-65.544
Joint Stock Companies	22	3,226,001	-92.610
Others	2	84,050	-2.413
		(83,685,631)	
Total	2094	(3,483,423)	-2302.396

Detail of Shareholding of 5% and above.

	Shares Held	Percentage
Mr. Pervez Ahmed - Chief Executive	8,389,183	-240.832
Mrs. Rehana Pervez Ahmed W/o Mr. Pervez Ahmed	12,011,025	-344.805
Mr. Arshad Hussain Laghari	9,301,500	-267.022

For D S Industries Limited

Salman Farooq
Company Secretary

مجلسِ نظام کی رپورٹ

ڈی ایس اینڈ سٹریٹ لیمیٹڈ کی مجلسِ نظام 30 جون 2019ء کو ختم ہونے والے مالی سال کے لئے کمپنی کی انتالیسویں سالانہ رپورٹ بشمول کمپنی کے نظر ثانی شدہ حسابات معائنہ پر آڈیٹر کی رپورٹ پیش

کرتے ہوئے خوشی محسوس کرتی ہے۔

کمپنی کے مالیاتی نتائج

سال 2018-19 کے دوران، کمپنی نے گزشتہ سال میں 717.85 ملین روپے کے مقابلے میں 581.73 ملین روپے کا منافع حاصل کیا جو گزشتہ سال میں فروخت آمدنی سے 18.96 فیصد کی کمی ظاہر

کر رہا ہے۔ جبکہ گزشتہ سال میں 75.78 ملین روپے نقصان کے مقابلے میں موجودہ سال کا ٹیکس کے بعد خالص نقصان 81.53 ملین روپے درج کیا گیا ہے۔ یہ نقصان بنیادی طور پر مہنگے خام مال کے استعمال کی وجہ

سے ہوا ہے۔

سال کے دوران کپاس کی فصل کی پہنچ جلد ہی جولائی کے مہینے کے سے ہی شروع ہو گئی لیکن اسے رفتار پکڑنے میں وقت لگا۔ چھٹی کی پہنچ ستمبر 2018 کے مہینے سے ہی شروع ہو گئی تھی اور کل فصل کا سائز

10.800 ملین گانٹھیں تھا جو مقامی ٹیکسٹائل انڈسٹریز ضروریات سے بالکل کم تھا۔ ملز اپنی ضروریات کو پورا کرنے کے لئے بین الاقوامی منڈی سے مہنگا خام مال درآمد کرنے پر مجبور تھیں۔

منافع منقسمہ

موجودہ سال میں منفی نتائج اور دستیاب مجموعی نقصانات کے مد نظر، آپ کی کمپنی کے ڈائریکٹرز نے سال کے لئے کسی منافع منقسمہ کی تجویز نہیں دی ہے۔

کتابوں کی بندش

کمپنی کی حصص منتقلی کتابیں 23 نومبر 2019ء تا 27 نومبر 2019ء (بشمول دونوں ایام) بند رہیں گی اور اس دوران رجسٹریشن کے لئے حصص کی کوئی منتقلی قابل قبول نہیں ہوگی۔ 26 نومبر 2019ء کو

کاروبار کے اختتام تک ہمارے شیئر رجسٹرار، میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پمپلی منزل، C-40، بلاک-6، P.E.C.H.S، کراچی کو موصول ہونے والی منتقلیاں اجلاس میں شرکت اور حق رائے

دہی کے لئے قابل قبول ہوگی۔

نمونہ حصص داری

30 جون 2019ء کے مطابق نمونہ حصص داری کا بیان مع کمپنی کے حصص یافتگان کی لیگل ریز اس رپورٹ کے ہمراہ منسلک ہیں۔

آپریٹنگ اور مالیاتی اعداد و شمار

گزشتہ چھ سالوں کے لئے آپریٹنگ اور مالیاتی اعداد و شمار مع کلیدی تناسب منسلک ہیں۔

مستقبل کا نقطہ نظر

موجودہ حکومت نے اقتدار میں آنے کے بعد برآمداتی کاروبار سے منسلک ملک کی صنعتوں کے لئے مختلف رعایات اور اعانتی نرخوں پر ٹیکس اور بجلی کے الگ الگ ٹیرف کا اعلان کیا۔ لیکن سیلز ٹیکس کے نفاذ

نے مقامی اور برآمداتی فروخت کو جولائی 2019ء سے فروخت کو بری طرح متاثر کیا۔ جغرافیائی سیاسی صورت حال پوری دنیا خاص طور پر ہمارے خطے کی تجارت کے لئے اچھی نہیں ہے۔ امید ہے کہ کل تجارتی پالیسیاں

آئندہ دنوں میں بہتر ہو جائیں گی اور مجموعی طور پر انڈسٹری بہتر کارکردگی کا مظاہرہ کرنے کے قابل ہو جائے گی۔

بورڈ کے منعقدہ اجلاسوں کی تعداد

30 جون 2019ء کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے اور ڈائریکٹرز کی حاضری مندرجہ ذیل ہے:

تعداد حاضری	عہدہ	نام
5	چیف ایگزیکٹو	جناب پرویز احمد
5	ڈائریکٹر	جناب علی پرویز احمد
5	ڈائریکٹر	جناب سلیمان احمد
5	ڈائریکٹر	جناب عطاء الرحمن
5	ڈائریکٹر	جناب خاور محمود
4	ڈائریکٹر	جناب مظہر پرویز ملک
5	ڈائریکٹر	محترمہ رخسانہ خالد

اخلاقیات اور کاروباری طریقوں کا بیان

بورڈ نے کمپنی کے ساتھ منسلک یا کاروبار کرنے والے ہر ایک شخص سے متعلقہ ضابطہء اخلاق کے معیارات کو پیشگی سمجھنے کے اعتراف کے طور پر کمپنی کے ہر ایک ڈائریکٹر اور ملازم کی طرف سے دستخط شدہ

اخلاقیات اور کاروباری طریقوں کا بیان تیار اور جاری کیا ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور دوبارہ تقرری کے لئے اپنے آپ کو پیش کرتے ہیں۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے

والے مالی سال کے لئے بطور آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس کو دوبارہ مقرر کرنے کی سفارش کی ہے۔

آڈٹ کمیٹی

کارپوریٹ گورننس کے ضابطہء اخلاق کی تعمیل میں آڈٹ کمیٹی تشکیل دی گئی ہے اور مندرجہ ذیل اراکین پر مشتمل ہے:

عہدہ	نام
چیئر مین	جناب عطاء الرحمن
رکن	جناب خاور محمود
رکن	جناب مظہر پرویز ملک

سہ ماہی اور سالانہ حسابات کے جائزہ اور دیگر متعلقہ معاملات کے لئے کارپوریٹ ضابطہء اخلاق کے تحت درکار 30 جون 2019ء کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے اجلاس منعقد

ہوئے۔ اجلاس میں چیف فنانشل آفیسر، داخلی آڈٹ کے سربراہ اور جب ضرورت پیش آئی بیرونی آڈیٹرز نے بھی شرکت کی۔

کارپوریٹ گورننس کا ضابطہء اخلاق

کارپوریٹ گورننس کے ضابطہء اخلاق کی تعمیل میں بیان

بورڈ آف ڈائریکٹرز اور کمپنی اچھے کارپوریٹ میئنمنٹ طریقوں کے اصولوں کے پابند ہیں۔ بورڈ اور انتظامیہ اپنی ذمہ داریوں سے آگاہ ہیں اور مالی وغیر مالی معلومات کی درستگی، جامعیت اور شفافیت کو بڑھانے کے لئے کمپنی کی کارکردگی کی نگرانی کرتے ہیں۔ ڈائریکٹرز، خوشی تصدیق کرتے ہیں کہ کمپنی نے کارپوریٹ گورننس کے ضابطہء اخلاق میں مجوزہ پاکستان اسٹاک ایکسچینج کے مندرجہ قواعد کے ذریعے سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کی طرف سے قائم کی گئی دفعات کی تعمیل کی ہے اور درج ذیل تفصیلی قواعد کے مطابق، بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔ مزید یہ کہ درج ذیل بیان کیا جاتا ہے کہ۔

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ معیارات کی پیروی کی گئی ہے اور کسی انحراف کا واضح انکشاف کیا گیا ہے۔
- 5- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- 6- سال کے دوران کمپنی نے 30.89 ملین روپے کا خالص نقصان برداشت کیا اور نیٹس شیٹ کی تاریخ تک 786.32 ملین روپے کا مجموعی نقصان اٹھایا ہے۔ کمپنی کی موجودہ واجب ادائیگیاں اسکے موجودہ اثاثوں سے 255.20 ملین روپے تک تجاوز کر گئی ہیں۔ یہ عناصر کمپنی کے رواں دواں رہنے کی اہلیت کے بارے میں شق پیدا کر سکتے ہیں۔ تاہم، انتظامیہ کمپنی کی مدد کے لئے مسلسل کوششیں کر رہی ہے۔

7- فہرستی ضابطوں میں تفصیلی کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی خاطر خواہ شق سے مادی انحراف نہیں ہو رہا ہے۔

8- گزشتہ چھ سالوں کی مالیاتی جھلکیاں منسلک ہیں۔

اظہارِ تشکر

مجلسِ نظام بھرپور حمایت، مدد اور ہنمائی کے لئے اپنے قابل قدر حصص یافتگان، بینکوں، سیکورٹیز اینڈ ایکسچینج کمیشن اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کی شکرگزار ہے۔ بورڈ کمپنی کے عملے اور کارکنوں کی خدمات، وفاداری اور مسلسل فراہم کی جانے والی کوششوں کو بھی سراہتا ہے۔

مخائب بورڈ

پرویز احمد
چیف ایگزیکٹو

لاہور، تاریخ: 6 نومبر 2019ء

**FORM OF PROXY
Annual General Meeting**

**The Company Secretary
D S Industries Limited
20-K, Gulberg II,
Lahore.**

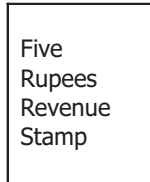
Dear Sir,

I/We ----- of (full address) ----- being a member(s) of Pervez Ahmed Securities Limited holding ----- Ordinary Shares as per Registered Folio No. / CDC A/c No ----- hereby appoint Mr./ Mrs./ Miss ----- of (full address) ----- or failing him / her Mr./ Mrs./ Miss -----of (full address) -----being member of the Company as my/our Proxy to attend, act and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on November 27,2019

Signed this ----- day of -----2019

Witnesses:

Signature _____
Name _____
Address _____
CNIC No./ Passport No. _____



Signature should be agreed with the Specimen Signatures with the Company

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his constituted attorney or if such appointer is a corporation or company under the common seal of such corporation or company.
3. In case of individual, the account holder or sub-account holder and / or the person whose securities are in group account shall submit the Proxy form along with following documents:
 - a. The Proxy form shall be witnessed by the two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - b. Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
 - c. The Proxy shall produce his / her original CNIC or original passport at the time of the meeting. In case of corporate entity, the Board of Director's resolution / power of attorney with specimen signature shall be submitted along with Proxy form to the company.
4. The Proxy Form, duly completed, must be deposited with the Company Secretary of D S Industries Limited, 20 – K Gulberg II Lahore not less than 48 hours before the time for holding the meeting.



Registered Office: 20-K Gulberg II, Lahore.

Ph: (042) 3575 9621, 3575 9464, 3571 4810

Fax: (042) 3571 0312

