

J. A. TEXTILE MILLS LIMITED

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

COMPANY INFORMATION

Board of Directors

| | |
|------------------|-----------------------|
| Chair Person: | Mrs. Rukhsana Begum |
| Chief Executive: | Mr. Imran Zahid |
| Directors: | Mr. Zahid Anwar |
| | Mrs. Rukhsana Begum |
| | Ms. Quratul-Ain Zahid |
| | Mr. Muhammad Ali |
| | Mr. Riaz Ahmad |
| | Mr. Liaqat Ali Qamar |

Audit Committee:

| | |
|-----------|-----------------------|
| Chairman: | Mr. Riaz Ahmad |
| Member: | Mr. Muhammad Ali |
| Member: | Ms. Quratul-Ain Zahid |

Human Resources & Remuneration (HR&R) Committee:

| | |
|-----------|----------------------|
| Chairman: | Mr. Muhammad Ali |
| Member: | Mr. Imran Zahid |
| Member: | Mr. Liaqat Ali Qamar |

Company Secretary: Mr. Ajmal Shabab

Chief Financial Officer: Mr. Zia Ullah Khan Dilawar

Head of Internal Audit: Mr. Muhammad Umer Farooq

Auditors: Kreston Hyder Bhimji & Company, Chartered Accountants

Banks: Al Baraka Islamic Bank B.S.C. (E.C.)
Dubai Islamic Bank Pakistan Limited
JS Bank Limited
National Bank of Pakistan
United Bank Limited

Legal Advisor: Mr. Zia-ul-Haq (Advocate)

Registered Office: JK House, 32-W, Susan Road, Madina Town, Faisalabad

Share Registrar Office: Hameed Majeed Associates (Private) Limited
1stFloor, H.M House, 7-Bank Square, Lahore.

Mills: 29-KM, Sheikhpura Road, Faisalabad

Web Site: www.jatml.com

J. A. TEXTILE MILLS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the members of J. A. Textile Mills Limited will be held at registered office, JK House, 32-W, Susan Road, Madina Town, Faisalabad at 9:00 AM on 28.10.2019 to transact the following business :-

1. To confirm the minutes of the Extra Ordinary General Meeting held on 30.11.2018.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2019 together with the Directors' and Auditor's reports thereon.
3. To appoint auditors for the year ending June 30, 2020 and fix their remuneration. The retiring auditors M/S Kreston Hyder Bhimji & Co. Chartered Accountants being eligible offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

FAISALABAD: 05.10.2019

(Company Secretary)

NOTES:

1. The share transfer books of the company will remain closed from 21.10.2019 to 28.10.2019 (both days inclusive).
2. A member entitled to attend and vote at the general meeting is entitled to appoint another member as proxy. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time for the meeting.
3. CDC shareholders are requested to bring with them their National Identification Cards alongwith participants ID and their account number at the time of Annual General Meeting' in order to facilitate identification. In case of a corporate entity, a certified copy of the resolution passed by the Board of Directors/valid power of attorney with the specimen signatures of the nominee be produced at the time of meeting.
4. Members are requested to immediately notify the change in their addresses, if any.

DIRECTORS' REPORT

Your Board of Directors is pleased to present 32nd annual report together with audited accounts of the Company for the year ended June 30, 2019.

| Operating Indicators | June 30, 2019 Rupees in Millions | June 30, 2018 Rupees in Millions |
|------------------------------|-------------------------------------|-------------------------------------|
| Sales | 1,098,229 | 1,141,797 |
| Gross Profit/Loss | 23,104 | 25,728 |
| Provision for taxation | (14,923) | (8,731) |
| (Loss)/Profit after Taxation | (0,042) | 30,946 |
| (Loss)/Profit per share | (0.003) | 2.46 |

Compliance to good Governance and social requirements

Your company is committed to fulfill its responsibilities towards good governance, social and environmental responsibilities. To protect health and safety of employees and environment, company provides able conditions and means to ensure compliance.

Human Resource and industrial relations

Under a defined and documented criteria in line with national and international laws people are recruited and hired. This is demonstrated at all level beyond any racism, cast, sex or religion and respects human rights, ethics and standards.

Auditors' report- Going Concern Uncertainty

Regarding the auditor's reservation of going concern relating to note 1.2 of financial statements, the management of the company is making its strenuous efforts, optimal production strategies and effective cost controls to improve the profitability of the company. The management is quite optimistic that balancing and modernization of plant and machinery, improvement in future industry situation and better production efficiency will definitely improve the future financial results. The management positively looks forward to counter all challenges and is firmly committed to deliver the best possible results and will continue to meet its objectives and goals. Based upon these aspects and continuing financial support from directors and associates, the financial statements have been prepared on going concern basis.

We confirm that:

- a) Financial statements have been prepared in conformity with the requirement of the Companies Act 2017 and present fairly state of affairs, results of its operation, cash flows and changes in equity.
- b) Proper books of accounts have been maintained in the manner required under Companies act 2017.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) 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.
- e) The system of internal control is being implemented and monitored.
- f) There are no significant doubts about the company's ability to continue as a going concern.
- g) There has been no material departure from best practices of corporate governance, as detailed in listing regulations.

- h) The key operating and financial data of last six years is annexed to this report.
- i) Outstanding duties and taxes, if any, have been disclosed in the financial statements.
- j) The Chairman's review dealing with the performance of the Company during the year ended June 30, 2019 forms part of this report.
- k) Value of investments of Employees Provident Fund was Rs. 9.38/- millions for the year ended June 30, 2019.
- l) Company has arranged in-house training program for its Directors.
- m) Statement of compliance with the Best Practices of Corporate Governance is annexed.
- n) We confirm that directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.
- o) Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board, if any.
- p) The pattern of shareholding as at June 30, 2019 is annexed with this report.

- During the year under review, five meetings of the Board were held:-

| | |
|--------------------------------|---|
| Mr. Imran Zahid (CEO) | 5 |
| Mr. Zahid Anwar | 5 |
| Mrs. Rukhsana Begum (Chairman) | 4 |
| Ms. Qurat ul Ain Zahid | 4 |
| Mr. Muhammad Ali | 5 |
| Mr. Riaz Ahmad | 5 |
| Mr. Liaqat Ali Qamar | 5 |

- Considering the accumulated losses brought forward, no dividend is recommended for the year ended June 30, 2019.

- The Audit Committee held four (4) meetings during the year. Attendance by each member was as follows:


| | |
|------------------------|---|
| Muhammad Ali | 3 |
| Riaz Ahmad (Chairman) | 4 |
| Ms. Qurat ul Ain Zahid | 4 |

- The IIR Committee held one (1) meeting during the year. Attendance by each member was as follows:

| | |
|-------------------------|---|
| Muhammad Ali (Chairman) | 1 |
| Mr. Imran Zahid | 1 |
| Mr. Liaqat Ali Qamar | 1 |

- Present auditors, M/s Kreston Hyder Bhimji & Co., Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended the re-appointment of retiring auditors for the year 2020 on same terms and conditions.

On behalf of board of directors.


Imran Zahid
 Chief Executive
 October 05, 2019

ڈائریکٹرز رپورٹ برائے ممبران

آپ کے ڈائریکٹرز 30.06.2019 کے مالی سال کے اختتام پر بیسویں سالانہ اجلاس کے انعقاد پر خوشی محسوس کرتے ہیں
مالیاتی نتائج

| روپے (ملین میں) | | آپریٹنگ تفصیلات |
|-----------------|-----------------|--------------------------|
| اختتام مالی سال | اختتام مالی سال | |
| 30.06.2018 | 30.06.2019 | فروخت |
| 1.141.797 | 1.098.229 | مجموعی آمدن / خسارہ |
| 25.728 | 23.104 | ٹیکس کیلئے پروویژن |
| (8.731) | (14.923) | بعد از ٹیکس خسارہ / آمدن |
| 30.946 | (0.042) | خسارہ / آمدن فی شیئر |
| 2.46 | (0.003) | منظم سماجی ذمہ داری |

آپ کی کمپنی ماحولیاتی ملازمین اور برادری کی سماجی ذمہ داریوں سے بخوبی واقف ہے۔ اسی سلسلے کے پیش نظر صحتمند اور پرسکون ماحول مہیا کیا جا رہا ہے۔
انسانی وسائل اور صنعتی تعلقات

آپ کی کمپنی نے قومی اور بین الاقوامی معیار کے مطابق ملازمین کی شمولیت کیلئے اصول وضع کر رکھے ہیں یہ اصول نسل پرستی، ذات اور جنس کو خاطر میں لانے بغیر وضع
ہیں

آڈیٹر رپورٹ:

آڈیٹرز کے تحفظات سے مطلق مالیاتی رپورٹ کے نوٹ نمبر 1.2 کو مد نظر رکھتے ہوئے آپ کی کمپنی کی انتظامیہ اس کوشش میں ہے کہ پیداواری حکمت عملی کو بہتر بنانے اور
اخراجات کو کنٹرول کر کے منافع کو بہتری کی طرف لے جائے۔ اس سلسلے میں انتظامیہ تمام چیلنجوں کا مقابلہ کرنے کیلئے مثبت نظر آ رہی ہے۔
ہم تصدیق کرتے ہیں:

(1) مالیاتی حسابات کمپنیز ایکٹ 2017 کے مطابق باکس ایمانداریانہ طور سے تیار کیے گئے ہیں۔ جو کہ کمپنی کے آپریٹنگ نتائج، کیش فلو سٹیٹمنٹ اور ایکویٹی سٹیٹمنٹ
کے ساتھ شامل ہیں۔

(2) پراپرٹیز آف اکاؤنٹس کمپنیز ایکٹ 2017 کے مطابق تیاری گئی ہیں۔

(3) مناسب اکاؤنٹنگ کی پالیسیوں کو مسلسل لاگو کیا گیا ہے۔ اور حساب کتاب کا تخمینہ مناسب اور پرکشش فیصلے پر مبنی ہے۔

(4) بین الاقوامی رپورٹنگ معیارات، پاکستان میں قابل عمل کے طور پر مالی بیانات ان اکاؤنٹس کی تیاری میں شامل کیے گئے ہیں۔

(5) اندرونی کنٹرول کا نظام پورے سال نافذ کیا گیا اور اسکی نگرانی کی گئی۔

(6) کمپنی کے جاری رہنے کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔

(7) کارپوریٹ گورننس اور بہترین پریکٹس، لسٹنگ ریگولیشن سے کوئی بڑا فرق نہیں ہے۔

(8) گذشتہ چھ سالوں کا آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک ہے۔

(9) ادا شدہ ٹیکس یا ڈیوٹی فنانشل سٹیٹمنٹ میں بیان کی گئی ہے۔

J A TEXTILE MILLS LIMITED

CHAIRMAN'S REVIEW

We are pleased to present the financial results of the company. The sale has decreased in this year as compared to the last year; company has earned Rs. (0.042) million in this year as compared to last year.

We are confident that our existing business trend will continue adding to sustainable growth to achieve better results during the current year and the rise in other avenues of business will further add value to the net worth of the company.

The management remains committed to maintain focus on sustaining the financial performance of the company. We thank our shareholders, customers, bankers and staff for their support and trust in the company.

In the end, I would like to thank the board of directors for their valuable contribution and guidance throughout the company.

For and on behalf of the Board of Directors



FAISALABAD

OCTOBER05,2019

RUMSANA BEGUM

Chairperson BOD

- (10) چیئرمین کا جائزہ برائے کمپنی کی کارکردگی 30.06.2019 اور دیگر معاملات سے نمٹنے کا معاملہ اس رپورٹ کا حصہ ہے۔
- (11) ملازمین کے پراویڈنٹ فنڈ کی مالیت 30.06.2019 کو 9.38 ملین روپے ہے۔
- (11.1) کمپنی نے اپنے ڈائریکٹر کیلئے بہتر ترقی پر وگرا موں کا آغاز کیا ہے۔
- (11.2) کارپوریٹ گورننس کے بہترین طریقوں کے مطابق تعمیل کا بیان ساتھ منسلک ہے۔
- (11.3) ہم اس بات کی تصدیق کرتے ہیں کہ ڈائریکٹر اور سی ایف او اور ان کے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی ٹرانزیکشن نہیں کی، اگر کوئی ہوئی۔
- شیئر ہولڈرز پیئرن برائے سال 30.06.2019 اس رپورٹ کے ساتھ منسلک ہے۔
- زیر جائزہ سال کے دوران پانچ اجلاس منعقد ہوئے ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے۔

نام ڈائریکٹر تعداد حاضری

5 جناب عمران زاہد (CEO)

5 جناب زاہد انوار

4 محترمہ درخشاں بیگم (چیئر پرسن)

4 مس قرۃ العین زاہد

5 جناب ریاض احمد

5 جناب محمد علی

5 جناب لیاقت علی قر

گذشتہ سالوں کے نتسائات کو دیکھتے ہوئے اس سال بھی کسی قسم کے ڈیویڈنڈ کی منظوری نہیں دی گئی۔

زیر جائزہ سال کے دوران چار اجلاس منعقد ہوئے ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے۔

نام ڈائریکٹر تعداد حاضری

4 جناب ریاض احمد (چیئرمین)

3 جناب محمد علی

4 مس قرۃ العین زاہد

زیر جائزہ سال کے دوران ایک اجلاس منعقد ہوا ہر ایک ڈائریکٹر کی حاضری حسب ذیل ہے۔

1 جناب عمران زاہد

1 جناب محمد علی (چیئرمین)

1 جناب لیاقت علی قر

آڈیٹرز

موجودہ آڈیٹرز میسرز کریمین حیدر جمہمی اینڈ کو چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے تاہم دوبارہ تعیناتی کی پیش کش کی گئی جس پر آڈٹ کمیٹی نے بھی انہیں برائے سال 2020 تعیناتی کیلئے تجویز دی ہے۔

بدر کی چاچا
چیف ایگزیکٹو آفیسر

تاریخ: 5 اکتوبر 2019

فیصل آباد

PATTERN OF SHAREHOLDING
 Consolidated (CDC & Non-CDC)
As at June 30, 2019

| Number of shareholders | Shareholding | | Shares held |
|---------------------------|--------------|---------|-------------------|
| | From | To | |
| 150 | 1 | 100 | 12,511 |
| 1363 | 101 | 500 | 651,780 |
| 73 | 501 | 1000 | 71,799 |
| 85 | 1001 | 5000 | 228,564 |
| 28 | 5001 | 10000 | 213,105 |
| 6 | 10001 | 15000 | 81,000 |
| 6 | 15001 | 20000 | 112,100 |
| 2 | 25001 | 30000 | 57,500 |
| 1 | 45001 | 50000 | 46,700 |
| 1 | 60001 | 65000 | 61,927 |
| 1 | 70001 | 75000 | 73,800 |
| 1 | 85001 | 90000 | 87,500 |
| 1 | 105001 | 110000 | 107,500 |
| 1 | 120001 | 125000 | 121,000 |
| 1 | 125001 | 130000 | 127,361 |
| 2 | 250001 | 255000 | 503,400 |
| 1 | 580001 | 585000 | 584,300 |
| 1 | 625001 | 630000 | 629,900 |
| 1 | 680001 | 685000 | 681,553 |
| 1 | 1150001 | 1155000 | 1,154,850 |
| 1 | 6990001 | 6995000 | 6,993,010 |
| 1,727 | | | 12,601,160 |

J.A. TEXTILE MILLS LIMITED
DETAIL CATEGORIES OF SHAREHOLDERS
FORM -34 AS ON 30-06-2019

| CATEGORIES OF SHAREHOLDERS | | TOTAL SHARES | % |
|--|---|------------------|--------------|
| 5.1 Directors/Chief Executive Officer and their spouse and minor Children | | | |
| 1 | MR. ZAHID ANWAR | 6,993,010 | 55.49 |
| 2 | MRS. RUKHSANA BEGUM | 1,154,850 | 9.16 |
| 3 | MR. IMRAN ZAHID | 636,900 | 5.05 |
| 4 | MS. QURATUL AIN ZAHID | 325,500 | 2.58 |
| 5 | MR. LIAQAT ALI QAMAR | 2,500 | 0.02 |
| 6 | MR. RIAZ AHMED | 2,500 | 0.02 |
| 7 | MR. MUHAMMAD ALI | 2,500 | 0.02 |
| TOTAL: | | 9,117,760 | 72.36 |
| 5.2 Associated Companies, Undertakings and related parties | | | |
| | | | 0.00 |
| TOTAL: | | 0 | 0.00 |
| 5.3 NIT and ICP | | | |
| | | | 0.00 |
| TOTAL: | | 0 | 0.00 |
| 5.4 Banks, DFIs, NBFIs | | | |
| 1 | ISLAMIC INVESTMENT BANK LTD | 10,000 | 0.08 |
| 2 | M/S AL TOWFFEK INV. BANK LTD | 20,000 | 0.16 |
| 3 | NATIONAL DEVELOPMENT FINANCE CORPORATION | 1,000 | 0.01 |
| 4 | M/S. INVESTMENT CORPORATION OF PAKISTAN | 4,300 | 0.03 |
| 5 | NATIONAL BANK OF PAKISTAN | 380 | 0.00 |
| 6 | M/S SAUDI PAK INDUSTRIAL & INVESTMENT CO. (PVT) LIMITED | 200 | 0.00 |
| 7 | THE BANK OF PUNJAB, TREASURY DIVISION. | 434 | 0.00 |
| TOTAL: | | 36,314 | 0.29 |
| 5.5 Insurance Companies | | | |
| 1 | ADAMJEE INSURANCE COMPANY LTD | 1,000 | 0.01 |
| TOTAL: | | 1,000 | 0.01 |
| 5.6 Modarabas and Mutual Funds | | | |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | | 127,361 | 1.01 |
| TOTAL: | | 127,361 | 1.01 |
| 5.7 Shareholding 5% or more | | | |
| | | | 0.00 |
| TOTAL: | | 0 | 0.00 |
| 5.8 General Public | | | |
| 1,572 | a- Local | 3,170,924 | 25.16 |
| 141 | b- Foreign | 82,100 | 0.65 |

J.A. TEXTILE MILLS LIMITED
 DETAIL CATEGORIES OF SHAREHOLDERS
 FORM -34 AS ON 30-06-2019

| CATEGORIES OF SHAREHOLDERS | | TOTAL SHARES | % |
|---|--|-------------------|---------------|
| TOTAL: | | 3,253,024 | 25.82 |
| 5.9 Others - Joint Stock Companies | | | |
| 1 | MAPLE LEAF CAPITAL LIMITED | 1 | 0.00 |
| 2 | PASHA SECURITIES (PVT) LTD. | 1,000 | 0.01 |
| TOTAL: | | 1,001 | 0.01 |
| 5.9 Others - Trust | | | |
| 1 | GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST | 500 | 0.00 |
| TOTAL: | | 500 | 0.00 |
| 5.9 Others | | | |
| 1 | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | 61,927 | 0.49 |
| 2 | TRUSTEE NATIONAL BANK OF PAKISTAN EMP. BENEVOLENT FUND TRUST | 2,173 | 0.02 |
| 3 | J. K. EXPORTS (PVT) LIMITED | 100 | 0.00 |
| TOTAL: | | 64,200 | 0.51 |
| Grand Total: | | 12,601,160 | 100.00 |

J A TEXTILE MILLS LTD
ANNUAL GENERAL MEETING

FORM F PROXY

IMPORTANT

This Form of Proxy, in order to be effective, must be deposited duly completed at the Company's Registered Office **JK House, 32-W, Susan Road, Madina Town, Faisalabad**, not less than 48 hours before the time of holding the meeting.

A proxy must be a member of the Company. Signature should agree with the specimen registered with the company

Please quote registered folio number

I/We _____

of _____

being a member of the Asim Textile Mills Limited _____ and holder

of _____ ordinary shares, hereby appoint

_____ of _____

Who is also a member of the company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at registered office of the Company, **JK House, 32-W, Susan Road, Madina Town, Faisalabad**, on 28.10.2019 at 9 30 am or at any adjournment thereof.

as witness my/our hand this _____ day of _____ 2019

signed by the said _____ in the presence of

Date: _____ (Member's Signature)

Place _____ (Witness's Signature)

Affix Rs.5/-
revenue stamp which must
be cancelled either by
signature over it or by some
other means

پراکسی فارم (مختار عامہ)

کینی بکٹری

سے اسے ٹیکسٹائل ملز لینڈ

W-32 سوسائٹی روڈ، مینہ ٹاؤن فیصل آباد

میں ام

ساکن

بحیثیت رکن عام ٹیکسٹائل ملز لینڈ اور محل عام حصص برطانیق شیر رجسٹرڈ فلیو نمبر
(اصورت سنٹرل ڈیپارٹری سسٹم اکاؤنٹ ہولڈر نمبر پارٹیسپٹ آئی ڈی نمبر)

بذریعہ ذرا

محترم احترام

جو کینی کا میر ہے برطانیق شیر رجسٹرڈ فلیو نمبر یا (اکی فیرو موجودگی میں محترم احترام
ساکن جو کینی کا ہے برطانیق شیر رجسٹرڈ فلیو نمبر کو

موری 28 اکتوبر 2019ء صبح 09:30 (بروز سوموار) کو منعقد ہونے والے کینی کے صدر دفتر W-32 سوسائٹی روڈ، مینہ ٹاؤن فیصل آباد میں اٹھائیسویں اجلاس عام میں حق رائے دہی
استعمال کرنے، تقریری اور شرکت کرنے کیلئے اپنا ہمارا بطور مختار نام یا پراکسی فارم مقرر کرتا ہوں کرتے ہیں۔

بطور گواہ میرے دستخط ----- آج بروز ----- تاریخ ----- 2019

دستخط گواہ

دستخط گواہ

5 روپے کارسیدی
ٹکٹ چسپاں کریں

نوٹ:

- 1- پراکسیاں تاکہ موبلو ہو سکیں، کینی کار رجسٹرڈ صدر دفتر میں باقاعدہ ممبر، دستخط اور گواہی شدہ اجلاس سے کم از کم 48 گھنٹے قبل پہنچی جانی چاہیں۔
- 2- دستخط کینی کے ہاں رجسٹرڈ نمونہ دستخطوں کے مطابق ہونے چاہئیں۔

Independent Auditors' Review Report to the Members of J.A. Textile Mills Limited

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

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

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

As 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 instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

| Serial No. | Paragraph Reference | Description |
|------------|---------------------|---|
| 1 | 9 | The Company has not arranged the directors training program or obtained the exemption from the directors training program from the commission as required under clause 20 of the Regulations. However, four directors of the Company having 14 years of education and 15 years of experience on the Board of listed Company are exempt from the directors training program and are in process of obtaining exemption from directors training program. |

Date: **October 05, 2019**
Place: **Faisalabad**



Kreston Hyderabad
KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: **Khan Muhammad**

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**STATEMENT OF COMPLIANCE
WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

J. A. TEXTILE MILLS LIMITED

FOR THE YEAR ENDED JUNE 30, 2019

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

1. The total number of directors are 7 as per the following:

- a. Male: 5 members
- b. Female: 2 members

2. The composition of the board is as follows:

| Category | Names |
|----------------------------------|---|
| a) Independent Director | Mr. Riaz Ahmed Mr. Liaqat Ali Qamar |
| b) Other Non-executive Directors | Mrs. Rukhsana Begum Ms. Qurat ul Ain Zahid Mr. Muhammad Ali |
| c) Executive Directors | Mr. Imran Zahid Mr. Zahid Anwar |

3. The directors have confirmed that none of them is serving as a 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 Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in 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 procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The directors were apprised about the changes in the Code, applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the shareholders. The directors of the Company having 14 years of education and 15 years of experience on the board of a listed Company are exempt from the requirement of directors' training program. All the board members except three qualify for exemption under this

provision of the Regulations. The Company will arrange the training program for the directors as provided under the Regulations in future.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

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

a) Audit Committee

1. Ms. Riaz Ahmed (Chairman)
2. Mr. Muhammad Ali (Member)
3. Ms. Qurat ul Ain Zahid (Member)

b) HR and Remuneration Committee

1. Mr. Muhammad Ali (Chairman)
2. Mr. Imran Zahid (Member)
3. Mr. Liaqat Ali Qamar (Member)

13. The terms of reference of the audit committee and HR and Remuneration Committee have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following:

a) Audit Committee

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Regulations.

b) HR and Remuneration Committee

The meeting of the HR and Remuneration Committee was held once during the year.

15. The Board has set up an effective internal audit function and that is involved in Internal Audit on full time basis relating to the business and other affairs of the company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP 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 the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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.

Place: Faisalabad.

October 05, 2019.


Imran Zahid
(Chief Executive)

KEY OPERATING & FINANCIAL DATA
FOR LAST SIX YEARS

| PARTICULARS | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions | Rs. Millions |
| FINANCIAL POSITION | | | | | | |
| Fixed-assets (Cost/Revalued) | 420.30 | 644.20 | 642.8 | 643.22 | 596.6 | 575.4 |
| Accumulated depreciation | 21.95 | 243.22 | 223.85 | 202.66 | 180.83 | 160.41 |
| Current assets | 117.507 | 73.519 | 51.232 | 77.419 | 134.94 | 138.01 |
| Paid up capital | 126.01 | 126.01 | 126.01 | 126.01 | 126.01 | 126.01 |
| Current liabilities | 219.24 | 213.67 | 347.11 | 358.99 | 181.12 | 94.409 |
| INCOME | | | | | | |
| Sales | 1.141.79 | 602.28 | 211.99 | 584.67 | 747.14 | 860.04 |
| Other income | 25.814 | 23.333 | 4.414 | 8.748 | 3.085 | 2.256 |
| Pre-tax profit/(loss) | 39.678 | 12.280 | -34.93 | -39.34 | -69.12 | 46.292 |
| Taxation charge/(credit) | 8.731 | 9.707 | 7.483 | -11.9 | -26.07 | 17.299 |
| STATISTICS AND RATIOS | | | | | | |
| Pre-tax profit/(loss) to sales % | 3.48 | 2.03 | -6.73 | -6.73 | -9.25 | 5.38 |
| Pre-tax profit/(loss) to capital % | 31.49 | 9.74 | -27.72 | -32.77 | -46.88 | 24.31 |
| Current Ratio | 01:01.5 | 01:00.2 | 01:00.2 | 01:00.2 | 01:00.7 | 01:01.5 |
| Paid up value per share (Rs.) | 10 | 10 | 10 | 10 | 10 | 10 |
| Earning after tax per share (Rs.) | 2.46 | 0.20 | -3.37 | -2.18 | -3.42 | 2.25 |
| Break-up value per share (Rs.) | 6.64 | 9.66 | 6.16 | 9.52 | 11.7 | 15.11 |

Independent Auditors' Report to the Members of J.A. Textile Mills Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **J.A. Textile Mills Limited ("the Company")**, which comprises 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 purpose 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, 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 international Financial Reporting Standard (IFRSs) 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, the comprehensive loss, 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 of the members to the contents of note 1.2 to the annexed financial statements, which disclose the appropriateness of going concern assumption used by the Company in the preparation of financial statements, in spite of the fact that the Company incurred net loss of Rs. 0.042 million during the current year and its accumulated loss stands at Rs. 202.562 million against the paid up share capital of Rs. 126.012 as at June 30, 2019 and as of that date, the Company's current liabilities exceeded its current assets by Rs. 78.173 million. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and the Company may be unable to realize its assets and discharge its obligations in the normal course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

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addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our audit report.

Following are the Key Audit Matter(s):

| S. No | Key Audit Matter(s) | How the Matter was addressed in audit |
|-------|--|--|
| 1. | <p>Adoption of IFRS 9 "Financial Instruments": (Refer notes 3.1 and 6.1 to the financial statements)</p> <p>IFRS 9 'Financial Instruments' is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We considered this as key audit matter due to the significant amounts involved</p> | <p>We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements. • Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. • We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9. |

| | | |
|-----------|--|--|
| | and significant judgments made by management regarding the matter. | |
| 2. | Adoption of IFRS 15 "Revenue from contracts with customers": (Refer notes 3.1 and 6.2 to the unconsolidated financial statements) | |
| | <p>The International Financial Reporting Standard 15 "Revenue from Contracts with Customers" (IFRS 15) became applicable for the first time for the preparation of the Company's financial statements for the year ended June 30, 2019.</p> <p>Under the aforesaid standard the revenue from sale of goods is recognized when the Company satisfies its performance obligation by transferring the promised goods to customer under the contract with customer.</p> <p>Revenue from sale of goods is measured at transaction price net of trade discounts.</p> <p>As a result of application of the aforesaid standard the management has performed extensive evaluation of its contractual arrangement with its customers,</p> <p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p> | <p>We reviewed and understood the requirements of the IFRS 15. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considering the appropriateness of revenue recognition policy, including recognition and classification criteria for trade and other discounts and comparing it with the applicable accounting standards. • Testing the effectiveness of Company's controls over the classification of trade discounts and correct timing of revenue recognition. • Reviewing a sample of contractual arrangement entered into by the Company with its customers and checked the appropriateness of classification of trade discounts. • Reviewing the adequacy of disclosure as required under applicable financial reporting framework. |
| 3. | Contingencies: | |
| | <p>The Company is subject to a legal, regulatory and tax matters, many of which are beyond its control. Consequently, the management makes judgments about the incidence and quantum of such liabilities arising from litigation, tax and regulatory claims which are subject to the future outcome of legal or regulatory processes.</p> <p>There are a number of legal and regulatory matters for which no provision has been established, as discussed in note - 20 to the financial statements.</p> | <ul style="list-style-type: none"> • We assessed and tested the design and operating effectiveness of the controls over the identification, evaluation, provisioning and reporting of legal, tax and regulatory matters. We determined that we could rely on these controls for the purposes of our audit. • In view of the significant judgements required, we evaluated the Company's assessment of the nature and status of litigation, claims and provision assessments, and discussed with |

| | |
|--|---|
| <p>There is an inherent risk that legal exposures are not identified and considered for financial reporting purposes on a timely basis. Importantly, the decision to recognize a provision and the basis of measurement are judgmental.</p> | <p>management to understand the legal position and the basis of material risk positions. We received legal letters from the Company's external counsel setting out their views in major cases.</p> <ul style="list-style-type: none"> • Specifically, we challenged the timing of recognition for cases where there was potential exposure but it was not clear that a provision should be raised e.g. where obtaining reliable estimates are not considered possible. • As set out in the financial statements, the outcome of litigation and regulatory claims are dependent on the future outcome of continuing legal and regulatory processes and consequently the calculations of the provisions are subject to inherent uncertainty. |
| <p>4. Taxation:</p> <p>As described in Critical Accounting Estimates and Judgments note - 4 and Taxation note - 5.6 to the annexed financial statements, significant judgment is required in determining the provision for income tax, both current and deferred, as well as assessment of provision for uncertain tax positions including estimates of penalties / default surcharge, where appropriate.</p> <p>The statement of financial position includes deferred taxation of Rs. 67.985 million. The tax expense recognized in statement of profit or loss amounted to Rs. 14.924 million. Detail of all current and deferred tax balances are disclosed in note 18 and 28 to the financial statements.</p> <p>Due to their significance to the financial statements as a whole, combine with the judgment and estimation required to</p> | <ul style="list-style-type: none"> • We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition of deferred tax. • We discussed with management the adequate implementation of Company policies and controls regarding current and deferred taxation as well as the reporting of uncertain tax positions. • We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the circumstances. • We considered management assessment of the validity and adequacy of provision for uncertain tax provision, evaluating the basis of assessment and reviewing relevant correspondence and legal advice |

| | | |
|------------------------------|---|--|
| | <p>determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.</p> | <p>where available including any information regarding similar cases with the relevant tax authorities.</p> <ul style="list-style-type: none"> • In respect of deferred tax assets and liabilities, we assessed the appropriateness of management assumptions and estimates. • We reviewed the disclosures in the note 18 and 28 to the annexed financial statements. |
| <p>5. Inventories</p> | <p>The company has significant levels of inventories amounting to Rs. 80.015 million as at the reporting date, being 14% of the total assets of the company.</p> <p>There is a risk in estimating the eventual NRV of items held, as well as assessing which items may be slow-moving or obsolete.</p> <p>The Company's principal accounting policy on stores and spares and stock in trade are disclosed in notes - 5.2 and 5.3 to the financial statements and the critical accounting estimates and judgments are disclosed in note - 4 to the financial statements.</p> <p>The significance of the balance coupled with the judgments and estimates involved on their valuation and change in accounting policy has resulted in the inventories being considered as a key audit matter.</p> | <p>Our audit focused on whether the valuation of year-end inventory was in line with IAS 2. This included challenging judgments taken regarding obsolescence and net realizable value provisions.</p> <p>We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventories by:</p> <ul style="list-style-type: none"> • Attending the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the Company. • Obtaining the final valuation sheets of the inventories and tracing quantities from working papers of observation of physical stock taking. • Obtaining understanding of internal controls designed by the Company over recording of purchases and valuation of the inventories, and testing their operating effectiveness on sample basis. • Assessing historical costs recorded in the inventory valuation by performing test of details on purchases. Evaluating that the valuation basis used are appropriate and consistent, including analysis of costing of |

| | | |
|--|--|--|
| | | <p>different items on sample basis.</p> <ul style="list-style-type: none"> • Assessing the management's determination of the net realizable values and intended use of the inventories including performing tests on the sales prices fetched by the Company before and after year end. • Performing analytical and other relevant audit procedures. • Considering the adequacy of the Company's disclosures in respect of inventories. |
|--|--|--|

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 Director's report, but does not include the financial statements and 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 information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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.

The Board of directors is responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Date: October 05, 2019
Place: Faisalabad


Kreston Hyder Bhimji & Co.
KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

J. A. TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|--------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 383,178,999 | 398,352,788 |
| Long term deposits | 8 | <u>17,427,380</u> | <u>17,427,380</u> |
| | | 400,606,379 | 415,780,160 |
| CURRENT ASSETS | | | |
| Stores and spares | 9 | 5,649,937 | 9,125,475 |
| Stock in trade | 10 | 74,365,382 | 90,766,858 |
| Trade debts | 11 | 47,622,654 | 6,056,856 |
| Advances, prepayment and other receivables | 12 | 8,201,394 | 1,365,325 |
| Short term investment | 13 | 302,521 | 341,529 |
| Tax refunds due from government | 14 | 7,627,329 | 6,838,519 |
| Cash and bank balances | 15 | <u>42,755,000</u> | <u>3,012,176</u> |
| | | 186,324,217 | 117,506,738 |
| | | <u>587,130,596</u> | <u>533,286,906</u> |
| TOTAL ASSETS | | | |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | <u>200,000,000</u> | <u>200,000,000</u> |
| 20,000,000 ordinary shares of Rs.10 each | | | |
| Issued, subscribed and paid up capital | | | |
| 12,601,160 ordinary shares of Rs. 10 each, | | | |
| fully paid in cash | | 126,011,600 | 126,011,600 |
| Accumulated loss | | (202,562,192) | (209,641,063) |
| Deficit on remeasurement of investment | | (69,959) | (30,951) |
| Surplus on revaluation of property, | 16 | 197,865,399 | 204,986,679 |
| plant and equipment | 17 | <u>133,203,264</u> | <u>125,926,743</u> |
| Loan from related parties | | 254,448,112 | 247,253,000 |
| NON CURRENT LIABILITIES | | | |
| Deferred liabilities | 18 | 67,985,263 | 66,789,618 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 263,858,431 | 214,000,560 |
| Unclaimed dividend | | 443,720 | 443,720 |
| Current portion of long term financing | | - | 4,000,000 |
| Provision for taxation | | 395,070 | - |
| | | <u>264,697,221</u> | <u>219,244,280</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 20 | - | - |
| | | <u>587,130,596</u> | <u>533,286,906</u> |
| TOTAL EQUITY AND LIABILITIES | | | |

The annexed notes 1 to 39 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR



J. A . TEXTILE MILLS LIMITED

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

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|---------------------|---------------------|
| Sales - net | 21 | 1,098,229,082 | 1,141,797,358 |
| Cost of sales | 22 | (1,075,125,472) | (1,116,069,214) |
| Gross profit | | 23,103,610 | 25,728,144 |
| Operating expenses | | | |
| Distribution cost | 23 | (122,775) | (185,542) |
| Administrative expenses | 24 | (10,015,043) | (9,550,613) |
| Other operating expenses | 25 | (783,216) | (4,088,329) |
| | | (10,921,034) | (11,824,484) |
| Profit from operations | | 12,182,576 | 13,903,660 |
| Finance cost | 26 | (91,025) | (40,396) |
| Other income | 27 | 2,789,549 | 25,814,988 |
| | | 14,881,100 | 39,678,252 |
| Profit before taxation | | (14,923,509) | (8,731,783) |
| Taxation | 28 | | |
| | | (42,409) | 30,946,469 |
| [Loss]/profit for the year | | (0.003) | 2.456 |
| (Loss)/earnings per share - basic and diluted | 29 | | |

The annexed notes 1 to 39 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A . TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

| | 2019 Rupees | 2018 Rupees |
|--|-----------------|-------------------|
| (Loss)/profit for the year | (42,409) | 30,946,469 |
| Other comprehensive income for the year: | | |
| Items that may be subsequently reclassified to profit or loss: | | |
| Unrealized loss on changes in fair value of investment | (39,008) | (30,951) |
| Gain realised on disposal of short term investments | - | (128,989) |
| | (39,008) | (159,940) |
| Items that will not be reclassified subsequently to profit or loss | | |
| Surplus on revaluation of property, plant and equipment - net of deferred tax | - | 24,709,391 |
| Impairment of revalued property, plant and equipment - net of deferred tax | - | (14,388,027) |
| | - | 10,321,364 |
| Total comprehensive (loss)/income for the year | (81,417) | 41,107,893 |
| The annexed notes 1 to 39 form an integral part of these financial statements. | | |


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

| | Share Capital | Accumulated loss | Surplus/(Deficit) on remeasurement of investment | Surplus on revaluation of property, plant and equipment | Loan from related parties | Total |
|---|--------------------|----------------------|--|---|---------------------------|--------------------|
| | [R u p e e s] | | | | | |
| Balance as at July 01, 2017 | 126,011,600 | (247,875,140) | 128,909 | 201,952,923 | 127,097,279 | 207,315,651 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | 30,946,469 | - | - | - | 30,946,469 |
| Other comprehensive income | - | - | (159,940) | 10,321,364 | - | 10,161,424 |
| | - | 30,946,469 | (159,940) | 10,321,364 | - | 41,107,893 |
| Incremental depreciation on revalued property, plant and equipment for the year (note 16) | - | 10,410,869 | - | (10,410,869) | - | - |
| Tax effect on incremental depreciation (note 16) | - | (3,123,261) | - | 3,123,261 | - | - |
| Repayment of loan from related parties - net | - | - | - | - | (1,170,536) | (1,170,536) |
| Balance as at June 30, 2018 | 126,011,600 | (209,641,663) | (30,951) | 204,986,679 | 125,926,743 | 247,253,008 |
| Total comprehensive income for the year | | | | | | |
| Loss for the year | - | (42,409) | - | - | - | (42,409) |
| Other comprehensive loss | - | - | (39,008) | - | - | (39,008) |
| | - | (42,409) | (39,008) | - | - | (81,417) |
| Incremental depreciation on revalued property, plant and equipment for the year (note 16) | - | 10,029,970 | - | (10,029,970) | - | - |
| Tax effect on incremental depreciation (note 16) | - | (2,908,690) | - | 2,908,690 | - | - |
| Loan obtained from related parties - net | - | - | - | - | 7,276,521 | 7,276,521 |
| Balance as at June 30, 2019 | 126,011,600 | (202,562,192) | (69,959) | 197,865,399 | 133,203,264 | 254,448,112 |

The annexed notes 1 to 39 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED

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

| | Note | 2019 Rupees | 2018 Rupees |
|---|----------------|--------------------|---------------------|
| a) CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 14,881,100 | 39,678,252 |
| Adjustments for non cash and other items: | | | |
| Depreciation | | 18,222,969 | 19,188,721 |
| Profit on deposit accounts | | (1,258,223) | (496,249) |
| Exchange gain on foreign currency translation | | (41,322) | (16,102) |
| Profit on deposit with SNGPL | | (468,371) | (530,921) |
| Loss on short term investment | | - | (129,175) |
| Gain on disposal of property, plant and equipment | | (1,021,633) | - |
| Balances written back | | - | (24,642,541) |
| Workers' profit participation fund | | 783,216 | 2,000,329 |
| Reversal of profit on deposit with SNGPL | | - | 447,053 |
| Finance cost | | 91,025 | 40,396 |
| Operating cash flows before working capital changes | | <u>31,100,761</u> | <u>35,627,763</u> |
| Changes in working capital | | | |
| (Increase)/decrease in current assets | | | |
| Stores and spares | | 3,475,538 | (2,165,381) |
| Stock in trade | | 16,401,476 | (44,184,594) |
| Trade debts | | (41,565,798) | (4,977,287) |
| Advances, prepayment and other receivables | | (7,042,026) | 4,181,338 |
| Tax refunds due from Government | | (1,797,551) | (1,746,483) |
| Increase in current liabilities | | | |
| Trade and other payables | | 50,288,206 | 38,025,344 |
| | | <u>19,759,845</u> | <u>(10,867,063)</u> |
| Cash generated from operations | | <u>50,948,606</u> | <u>24,760,700</u> |
| Profit on deposit accounts received | | 1,510,214 | 446,170 |
| Profit on deposit with SNGPL received | | 422,337 | 413,063 |
| Finance cost paid | | (16,247) | (40,396) |
| Exchange gain on foreign currency retranslation | | 41,322 | 16,102 |
| Workers' profit participation fund paid | | (2,088,329) | - |
| Income tax paid | | (12,324,053) | (12,258,478) |
| Security deposit paid | | - | (5,000) |
| Net cash generated from operating activities | | <u>38,493,850</u> | <u>13,332,169</u> |
| b) CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Addition in property, plant and equipment | | (3,227,547) | (1,816,215) |
| Sale proceeds on disposal of property, plant and equipment | | 1,200,000 | - |
| Net cash used in investing activities | | <u>(2,027,547)</u> | <u>(1,816,215)</u> |
| c) CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long term financing | | (4,000,000) | (11,110,750) |
| Loan from related parties obtained/(paid) | | 7,276,521 | (1,170,536) |
| Net cash generated from/(used in) financing activities | | <u>3,276,521</u> | <u>(12,281,286)</u> |
| Net increase/(decrease) in cash and cash equivalents | (a+b+c) | <u>39,742,824</u> | <u>(765,332)</u> |
| Cash and cash equivalents at the beginning of the year | | <u>3,012,176</u> | <u>3,777,508</u> |
| Cash and cash equivalents at the end of the year | 15 | <u>42,755,000</u> | <u>3,012,176</u> |

The annexed notes 1 to 39 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED

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

1. THE COMPANY AND ITS OPERATIONS

1.1 J.A. Textile Mills Limited (the Company) was incorporated in Pakistan on 25 May, 1987 under the repealed Companies Ordinance, 1984 (now Companies Act 2017). The shares of the Company are listed on Pakistan Stock Exchange. The Mill is situated at 29-KM, Sheikhupura Road, Faisalabad in the province of Punjab and the registered office of the Company is situated at JK House, 32-W, Susan Road, Madina Town, Faisalabad. The principal business activity of the Company is manufacturing and sale of yarn.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 202.562 million (2018: Rs. 209.641 million) as against issued, subscribed and paid up capital of Rs. 126.012 million and its current liabilities exceeded its current assets by Rs. 78.173 million (2018: Rs.101.738 million) as at June 30, 2019. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and the Company may be unable to realize its assets and discharge its obligations in the normal course of business.

In spite of the huge accumulated losses and negative current ratio, the management of the Company is making its strenuous efforts, optimal production strategies and effective cost controls to improve the profitability of the Company. The balancing and modernization of plant and machinery in previous years, improvement in future industry situation and better production efficiency has resulted in profit for the year. The management positively looks forward to counter all challenges and is firmly committed to deliver the best possible results and will continue to meet its objectives and goals as it is also evident from the current period results. Based upon these aspects and continuing financial support from directors and associates, the financial statements have been prepared on going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. NEW AND REVISED STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

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

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

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

Transfers of investment property clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendment does not have any impact on Company's financial statements.

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

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

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

The amendment does not have any impact on these financial statements.

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

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

IFRS 9 'Financial Instruments':

IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. Impact of adoption of IFRS 9 is disclosed in Note 6.1 of these financial statements.

IFRS 15 'Revenue from Contracts with Customers':

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and IFRIC 13 'Customer Loyalty Programmes'. Impact of adoption of IFRS 15 is disclosed in Note 6.2 of these financial statements.

IFRIC 22 'Foreign currency transactions and advance consideration':

IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation does not have a significant impact on these financial statements.

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

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

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

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

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

The amendments to IAS 19 specify that an entity must:

- (i) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using:
 - (a) the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
 - (b) the discount rate used to remeasure that net defined benefit liability (asset); and
- (ii) determine any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is to be recognized in profit or loss. An entity then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

The amendments do not have any impact on these financial statements.

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

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

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

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

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

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The adoption of this standard will not have any impact on the Company's financial statements.

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

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

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

These amendments and consequential amendments to other IFRSs:

- (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- (ii) clarify the explanation of the definition of material; and
- (iii) incorporate some of the guidance in IAS 1 about immaterial information.

These amendments are not expected to have a significant impact on the Company's future financial statements.

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

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

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

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

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

IFRS - 1 'First time adoption of International Financial Reporting Standards'.

IFRS - 14 'Regulatory Deferral Accounts'.

IFRS - 17 'Insurance Contracts'.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Estimate of useful life of property, plant and equipment - note 5.1
- Stores and spares - note 5.2
- Stock in trade - note 5.3
- Taxation - note 5.6
- Provisions - note 5.9
- Contingencies - note 5.10
- Impairment of non financial assets - note 5.15

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements, except as mentioned in note 6 of these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Property, plant and equipment except free hold land, building on freehold land, plant and machinery, power generators, electric installations and factory equipments are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Building on freehold land, plant and machinery, power generators, electric installations and factory equipments are stated at revalued amounts less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount.

Cost in relation to operating fixed assets signifies historical cost. Historical cost includes expenditures that are directly attributable to the acquisition or construction of assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of operating fixed assets is capitalized and the asset so replaced is retired from use.

Normal repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in note 7.1 of these financial statements.

Depreciation on additions during the year is charged for the full month in which the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

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

5.1.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents direct cost of material, labour, applicable overheads and borrowing costs on qualifying assets. Transfers are made to relevant operating fixed assets category as and when assets are available for its intended use.

5.2 Stores and spares

These are valued at moving average cost except items-in-transit which are valued at cost accumulated to the reporting date. Provision is made for slow moving and obsolete store items when so identified.

5.3 Stock in trade

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

| | |
|--|--|
| Raw material - At factory | Annual average cost |
| - In Transit | Invoice value plus direct charges in respect thereof |
| Packing material | Moving average cost |
| Work in process and finished goods | Prime cost including a proportion of production overheads. |
| Wastes are valued at net realizable value. | |

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

5.4 Cash and cash equivalents

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

5.5 Surplus 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 equity under the heading 'Surplus on revaluation of property, plant and equipment'. However the increase is recognized in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in statement of profit or loss.

Decreases in the carrying amounts arising on revaluation of property, plant and equipment are recognized, net of tax, in profit or loss. However revaluation decrease that reverse previous increases of the same asset is recognized in other comprehensive income to the extent of the remaining surplus attributable to that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading 'Surplus on revaluation of property, plant and equipment'.

Following amounts are transferred directly to retained earnings from equity under the heading 'Surplus on revaluation of property, plant and equipment' through the Statement of Changes in Equity:

- an amount equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost of that asset; or
- an amount equal to carrying amount of revaluation surplus of the asset on its disposal.

All transfers to / from the account of 'surplus on revaluation of property, plant and equipment' are net of applicable deferred income tax. Surplus on revaluation of property, plant and equipment reported under equity is not available for distribution of dividend.

5.6 Taxation

Current taxation

The current income tax is computed on the basis of profit for the year adjusted for fiscal purposes, minimum tax u/s 113 or Alternate Corporate Tax (ACT) u/s 113C of the Income Tax Ordinance, 2001 after taking into account the tax credit or rebate, if any.

Deferred Taxation

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

5.7 Staff retirement benefits

Defined Contribution Plan

There is a contributory provident fund for all employees of the Company for which contributions are charged to profit or loss as and when incurred.

The Company makes monthly contribution to the fund at the rate of 8.33% whereas employees of the Company also make monthly contributions to the fund at the rate of 8.33% of basic salary. The assets of the fund are held separately under the control of trustees.

5.8 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost using effective interest rate method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.9 Provisions

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

5.10 Contingencies

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

5.11 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the statement of profit or loss immediately.

5.12 Related party transactions

All transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

5.13 Borrowing costs

Borrowing costs to the extent of borrowing costs that are directly attributable to the acquisition or construction 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. All other borrowing costs are charged to statement of profit or loss as and when incurred.

5.14 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

5.15 Impairment of non financial assets

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

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

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

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

6. CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

6.1 IFRS 9, 'Financial Instruments':

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

6.1.1 Financial assets

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held in order to collect contractual cash flows which arise on specified dates and that are 'solely payment of principal and interest (SPPI)' on the principal amount outstanding. A debt investment shall be measured at fair value through other comprehensive income if it is held in order to collect contractual cash flows which arise on specified dates that are solely principal and interest and as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

Key changes in accounting policies resulting from application of IFRS 9

A. Classification and measurement of financial instruments

a) Investments and other financial assets

Classification:

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement:

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i) Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

B. Derecognition

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

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

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

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

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

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

C. Impairment

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

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

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

D. Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended June 30, 2019.

6.1.2 Financial liabilities

A. Classification and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

ii) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

B. Derecognition

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

6.1.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.1.4 Impacts of adoption of IFRS 9 on these financial statements

As a result of application of IFRS 9, investments in mutual funds amounting to Rs. 341,529/- as at July 1, 2018 have been reclassified from 'available for sale' to 'fair value through other comprehensive income (FVTOCI)'. There is no change in accounting treatment of change in available for sale category to FVTOCI and no effect on the financial statements of the Company. Further all financial assets previously classified under the head 'loans and receivables' are now classified as 'amortized cost'.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39.

Accordingly, the adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and liabilities.

6.2 IFRS 15, 'Revenue from Contracts with Customers':

Key changes in accounting policies resulting from application of IFRS 15

6.2.1 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for rendering of services to a customer. For each contract with a customer, the Company:

- (i) identifies the contract with a customer;
- (ii) identifies the performance obligations in the contract;
- (iii) determines the transaction price;
- (iv) allocates the transaction price to the separate performance obligations in the contract; and
- (v) recognizes revenue when each performance obligation is satisfied.

Variable consideration within the transaction price is estimated and determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

a) Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

b) Interest income

Profit on bank balances in deposit accounts and interest income on deposit with Sui Northern Gas Pipelines Limited (SNGPL) are recognized on a time proportion basis on the principal amount outstanding and at the applicable rate.

c) Profit on fair value through other comprehensive income investments

Unrealized gains / (losses) arising on fair value measurements of investments classified as 'fair value through other comprehensive income' are included in other comprehensive income in the period in which they arise.

Gains / (losses) arising on disposal of investments are recognized on the date when the transaction takes place. When the investment is disposed off or derecognized, the cumulative gains / (losses) previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income / (other expenses).

d) Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

6.2.2 Trade debts and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

6.2.3 Impacts of adoption of IFRS 15 on these financial statements

The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognized.

7.2 The detail of operating fixed assets disposed off during the year are as follows:

| Description | Cost | Accumulated Depreciation | Book Value | Sale Proceeds | Gain | Mode of Disposal | Particulars of Buyers |
|---------------------|-----------|--------------------------|------------|---------------|-----------|------------------|---|
| [R U P E E S] | | | | | | | |
| Vehicle | | | | | | | |
| Rexon (RHD) 2696 cc | 3,595,000 | 3,416,633 | 178,367 | 1,200,000 | 1,021,633 | N-godown | Mr. Khawaja Sajjad Ahmad 215/R.B. House# 1, Khawaja Street, Buhari Town, Faisalabad |

7.3 Depreciation charge for the year has been allocated as under:

| | | |
|-------------------------|-------------------|-------------------|
| Cost of sales | 17,963,290 | 18,857,721 |
| Administrative expenses | 259,679 | 351,000 |
| | <u>18,222,969</u> | <u>19,188,721</u> |

7.4 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery, power generators, electric installations and factory equipments as at June 30 would have been as follows:

| | 2019 | Written down value |
|---------------------------|--------------------|--------------------|
| Freehold land | 3,848,875 | 3,848,875 |
| Building on freehold land | | |
| - Factory | 32,519,124 | 29,208,833 |
| - Residential | 6,147,674 | 5,273,478 |
| plant and machinery | 310,100,365 | 218,722,523 |
| Power Generators | 46,907,500 | 21,544,632 |
| Electric installations | 32,569,808 | 11,494,497 |
| Factory equipments | 2,905,074 | 2,532,571 |
| | <u>414,998,450</u> | <u>289,776,534</u> |
| | | <u>126,231,886</u> |

| | 2018 | |
|---------------------------|--------------------------|--------------------|
| | Accumulated depreciation | Written down value |
| | [R U P E E S] | |
| Freehold land | | 3,848,875 |
| Building on Freehold land | | |
| - Factory | 32,519,124 | 3,484,517 |
| - Residential | 6,147,674 | 920,206 |
| Plant and machinery | 306,872,818 | 92,875,020 |
| Power Generators | 46,907,500 | 28,180,965 |
| Electric installations | 12,569,808 | 1,194,790 |
| Factory equipments | 2,905,074 | 413,892 |
| | 411,770,873 | 130,916,265 |

7.5 Forced sale values of revalued assets

The forced sale values of revalued assets are based on fair value measurement as at December 31, 2017.

| | Forced Sale Values | |
|---------------------------|--------------------|--------------------|
| | 2019 | 2018 |
| | [Rupees] | |
| Freehold land | | 66,980,000 |
| Building on freehold land | | |
| - factory | 92,104,144 | 92,104,144 |
| - residential | 18,542,720 | 18,542,720 |
| Plant and machinery | 117,520,000 | 117,520,000 |
| Power generators | 25,200,000 | 25,200,000 |
| Electric installations | 2,800,000 | 2,800,000 |
| Factory equipments | 5,600,000 | 5,600,000 |
| | 328,746,864 | 328,746,864 |

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

| Description | Area | Location |
|---------------------------|--|---|
| Freehold land | 98 - Kanal & 10 - Marlas = 98.50 - Kanal | Chak # 70 - R.B. 29 - KM, Link Main Shekhapura Road, Tehsil Jaranwala, District Faisalabad. |
| Building on freehold land | Covered Area - 129,574 (S. ft) | Chak # 70 - R.B. 29 - KM, Link Main Shekhapura Road, Tehsil Jaranwala, District Faisalabad. |
| - factory | Covered Area - 35,112 (S. ft) | Chak # 70 - R.B. 29 - KM, Link Main Shekhapura Road, Tehsil Jaranwala, District Faisalabad. |
| - residential | | |

| | Note | 2019 Rupees | 2018 Rupees |
|---|--------|-------------------|-------------------|
| 8. LONG TERM DEPOSITS | | | |
| Security deposits: | | | |
| 8.1 This includes Rs. 14,466,500/- (2018: Rs. 14,466,500/-) security deposit with Sui Northern Gas Pipelines Limited (SNGPL) against supply of natural gas to the company. It is subject to mark up at the rate of 1 year KIBOR minus 3% per annum. | 8.1 | <u>17,427,380</u> | <u>17,427,380</u> |
| 9. STORES AND SPARES | | | |
| Stores | | 906,247 | 931,986 |
| Spares | | <u>4,743,690</u> | <u>8,193,489</u> |
| | | <u>5,649,937</u> | <u>9,125,475</u> |
| 10. STOCK IN TRADE | | | |
| Raw material | | 62,111,382 | 56,869,352 |
| Packing material | | 1,160,164 | 1,241,793 |
| Work in process | | <u>10,274,038</u> | <u>6,293,971</u> |
| Finished goods | 10.1 | <u>819,798</u> | <u>26,361,742</u> |
| | | <u>74,365,382</u> | <u>90,766,858</u> |
| 10.1 It includes waste stock amounting to Rs. 819,798 (2018: Rs. 2,097,282) measured at net realizable value. | | | |
| 11. TRADE DEBTS | | | |
| Considered good | | | |
| Local - unsecured | | <u>47,622,654</u> | <u>6,056,856</u> |
| 12. ADVANCES, PREPAYMENT AND OTHER RECEIVABLES | | | |
| Considered good: | | | |
| Advances | | | |
| Advances to suppliers | | 7,072,839 | 83,693 |
| Advances to employees | | 171,262 | 82,760 |
| Prepayment | | | |
| Prepaid insurance | | 260,564 | 296,186 |
| Other receivables | | | |
| Accrued profit | | 576,955 | 782,912 |
| Others | 20.1.2 | <u>119,774</u> | <u>119,774</u> |
| | | <u>8,201,394</u> | <u>1,365,325</u> |
| 13. SHORT TERM INVESTMENT | | | |
| Fair value through other comprehensive income (FVTOCI) | | | |
| NBP Islamic Sarmaya Izafa Fund | | <u>302,521</u> | <u>341,529</u> |
| 13.1 These have been valued by using published net asset value (NAV) as at 30th June, the number of units held by the Company are 22,015,9670 units (2018: 22,015,9670 units). | | | |
| 14. TAX REFUNDS DUE FROM GOVERNMENT | | | |
| Sales tax receivable | | 7,627,329 | 5,829,778 |
| Income tax refundable | | - | 1,008,741 |
| | | <u>7,627,329</u> | <u>6,838,519</u> |
| 15. CASH AND BANK BALANCES | | | |
| Cash in hand | | 764,443 | 953,260 |
| Cash at bank | | | |
| In current accounts | | | |
| - Local currency | | 32,689,770 | 1,746,656 |
| - Foreign currency | | 159,080 | 117,758 |
| In deposit accounts | 15.1 | <u>9,141,707</u> | <u>194,502</u> |
| | | <u>41,990,557</u> | <u>2,058,916</u> |
| | | <u>42,755,000</u> | <u>3,012,176</u> |
| 15.1 The rate of profit on deposit accounts is ranging from 8.05 % to 10.30% per annum (2018: ranging from 5% to 5.55% per annum). | | | |

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|--------------------|
| 16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | 204,986,679 | 201,952,923 |
| Opening balance | | | |
| Add: Surplus arisen on revaluation of property, plant and equipment | | - | 35,299,130 |
| Less: Related effect of deferred tax liability | | - | (10,589,739) |
| | | | 24,709,391 |
| Less: Impairment of revalued property, plant and equipment | | - | (20,554,324) |
| Add: Related effect of deferred tax liability | | - | 6,166,297 |
| | | | (14,388,027) |
| Less: Incremental depreciation on revalued property, plant and equipment transferred to accumulated loss | | 10,029,970 | 10,410,869 |
| Add: Related effect of deferred tax liability | | (2,908,690) | (3,123,261) |
| | | 7,121,280 | 7,287,608 |
| Closing balance | | 197,865,399 | 204,986,679 |

The Company's freehold land, building on freehold land, plant and machinery, power generators, electric installations and factory equipments were revalued by M/S Yousaf Adil Saleem & Co. Chartered Accountants as on September 30, 1998 and by M/S Nizamy Associates as on June 30, 2007 and June 30, 2012 and M/S Amir Evaluators & Consultants as on 31st December, 2017. Revaluation of freehold land is carried out at market value and building on freehold land, plant and machinery, power generators, electric installations and factory equipments on depreciated replacement values.

The fair valuation of the revalued assets are considered to represent a level 2 valuation based on significant observable inputs being the location and condition of the assets. The fair values are subject to change owing to change in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. The basis of revaluation for items of these fixed assets were as follows:

Freehold land

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighbourhood and adjoining areas. Neighbouring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

Building on freehold land

Construction specifications were noted for each factory and residential building and structure and current construction rates were used to obtain replacement values of building, to which a depreciation formula was applied, based upon the Company's estimates of balance life to arrive at the current assessed value.

Plant and machinery

Plant and machinery have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current local and foreign market values for the similar type of plant and machinery. These current local and foreign market values were taken into account on the basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

Power generators

These were evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current market values for the similar type of assets. These current market values were taken into account on the basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

Electric installations

These were evaluated / assessed by keeping in view their present physical condition and the remaining useful life / economic life. Further, new replacement values were arrived by using current market values for the similar type of assets. These current market values were taken into account on basis of efficiency, maintenance, replacement and other related factors involved.

Factory equipments

These were evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current market values for the similar type of assets. These current market values were taken into account on basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

| | Note | 2019 Rupees | 2018 Rupees |
|---|--|--------------------|---------------------|
| 17. LOAN FROM RELATED PARTIES | | | |
| Chief executive, directors and members | 17.1 & 17.2 | <u>133,203,264</u> | <u>125,926,743</u> |
| 17.1 During the year movement in loan is as follows: | | | |
| Opening balance | | 125,926,743 | 127,097,279 |
| Obtained during the year | | <u>7,935,000</u> | <u>7,935,000</u> |
| | | <u>133,861,743</u> | <u>135,032,279</u> |
| Paid during the year | | <u>(658,479)</u> | <u>(9,105,536)</u> |
| | | <u>133,203,264</u> | <u>125,926,743</u> |
| 17.2 | This represents interest free loan from chief executive, directors and members of the Company, repayable at the discretion of the Company. However, in light of guidance provided in Technical Release -32 ("Accounting Directors' Loan") issued by the Institute of Chartered Accountants of Pakistan, this loan has been classified as part of equity. | | |
| 18. DEFERRED LIABILITIES | | | |
| Deferred taxation | 18.1 | <u>67,985,263</u> | <u>66,789,618</u> |
| 18.1 Deferred taxation | | | |
| 18.1.1 | | | |
| Opening balance | | 66,789,618 | 67,906,860 |
| Provided/(adjusted) during the year | | <u>1,195,645</u> | <u>(1,117,242)</u> |
| Closing balance | 18.1.2 | <u>67,985,263</u> | <u>66,789,618</u> |
| 18.1.2 This comprise of following: | | | |
| Deferred tax liability: | | | |
| Taxable temporary differences relating to operating assets | | 16,559,689 | 19,149,613 |
| Taxable temporary differences relating to surplus on revaluation of property, plant and equipment | | <u>57,671,097</u> | <u>60,579,788</u> |
| Deferred tax assets: | | | |
| Deductible temporary differences on tax losses | | <u>(6,245,523)</u> | <u>(12,791,915)</u> |
| Deductible temporary difference related to minimum tax | | - | <u>(147,868)</u> |
| | | <u>67,985,263</u> | <u>66,789,618</u> |
| 19. TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | 252,127,622 | 283,356,837 |
| Accrued expenses | | <u>9,146,081</u> | <u>8,754,220</u> |
| Advances from customers | | 907,680 | - |
| Withholding tax payable | | <u>340,282</u> | <u>71,595</u> |
| Provident fund trust | 19.1 | <u>478,772</u> | <u>529,058</u> |
| Sales tax payable | | - | 521 |
| Workers' profit participation fund | 19.2 | <u>857,994</u> | <u>2,088,329</u> |
| | | <u>263,858,431</u> | <u>214,800,560</u> |
| 19.1 | This represents amount due to provident fund trust for the month of June for which payment was made at July 15, 2019 (2018: July 20, 2018). | | |
| 19.2 Workers' profit participation fund | | | |
| Opening balance | | 2,088,329 | - |
| Interest on funds utilized in the Company's business | | <u>74,778</u> | <u>-</u> |
| | | <u>2,163,107</u> | <u>-</u> |
| Allocation for the year | | <u>783,216</u> | <u>2,088,329</u> |
| | | <u>2,946,323</u> | <u>2,088,329</u> |
| Payments during the year | | <u>(2,088,329)</u> | <u>-</u> |
| Closing balance | | <u>857,994</u> | <u>2,088,329</u> |

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 The Faysal Bank Limited filed a suit against the Company for recovery of Rs. 48.560 million on 21 September 2001 before Banking Court - II, Faisalabad. The Company made the payment of principal amount of Rs 44.510 million as against the purchase price of 48.560 million so the banking court directed the Faysal bank to recover only 4.05 million vide judgment dated 4 November 2002. The bank filed an appeal before the Lahore High Court (LHC), Lahore, against the decision of Banking Court - II, Faisalabad for recovery of Rs. 18.726 Million (principal 45.616 minus payment as per bank 26.890). The High court enhanced the liability at Rs. 56.845 million and allowed to adjust Rs. 26.890 million already paid by the Company as per statement of accounts of the bank and established Rs. 29.955 million as recoverable from the Company after adjustment of already paid amount alongwith cost of funds vide judgment dated 6 July 2010. Regarding contention of payment between bank and Company the LHC has remitted this matter to the banking court for deputation of chartered accountant for verification of payment by the company to the bank.

Having been aggrieved by the decision of the Honourable Lahore High Court, Lahore, the Company filed an appeal before the Supreme Court of Pakistan which is pending adjudication. The management of the company has optimistic opinion that the case will be decided in its favour on the pretext that due relief had already been given by the apex court in identical cases.

20.1.2 An employee of the company has filed a suit for the claim of reinstatement of his services and dues which has been decided by the Labour Court No. 4, Faisalabad in appellant's favour vide order dated 29 October 2009. The Company has filed an appeal before Punjab Labour Appellate Tribunal against the decision of Labour Court. In compliance with the order of Punjab Labour Appellate Tribunal payment of Rs. 119,774 as 50% of employee's dues have been deposited with Appellate Authority. Consequently, the Punjab Labour Appellate Tribunal, Lahore after hearing the arguments has set aside the impugned order of Labour Court No. 4, Faisalabad vide order dated 27 April 2015 and remanded back to the lower Court with a direction to decide the Appellant Company's application wherein it is alleged that the respondent is unfit to work. However, the management of the Company has optimistic opinion that the Company is at sound footing and prima facie the case is expected to be decided in its favour. The amount under litigation is not material, therefore, no provision has been made in the financial statements.

20.2 Commitments

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

| | Note | 2019 Rupees | 2018 Rupees |
|-------------------------------|------|----------------------|----------------------|
| 21. SALES -NET | | | |
| Local | | | |
| Yarn sales | | 1,079,072,900 | 1,125,597,609 |
| Waste sales | | 18,356,174 | 16,199,749 |
| | | <u>1,098,229,082</u> | <u>1,141,797,358</u> |
| 22. COST OF SALES | | | |
| Raw material consumed | 22.1 | 772,077,984 | 795,164,420 |
| Stores and spares consumed | | 20,971,802 | 20,472,141 |
| Packing material consumed | | 15,231,632 | 18,660,269 |
| Salaries, wages and benefits | | 95,183,159 | 101,413,757 |
| Provident fund contribution | 24.2 | 2,010,658 | 2,640,054 |
| Fuel and power | | 124,634,324 | 170,055,163 |
| Repairs and maintenance | | 3,059,839 | 1,249,045 |
| Postage and telecommunication | | 72,490 | 100,830 |
| Vehicles running and maintena | | 467,090 | 422,238 |
| Depreciation | 7.3 | 17,963,290 | 18,837,721 |
| Others | | 1,003,327 | 955,622 |
| | | <u>1,053,563,595</u> | <u>1,129,971,260</u> |
| Work in process | | | |
| Opening balance | | 6,293,971 | 9,648,040 |
| Closing balance | | (10,274,038) | (6,293,971) |
| | | <u>(3,980,067)</u> | <u>3,354,069</u> |
| Finished goods | | | |
| Opening balance | | 26,361,742 | 9,105,627 |
| Closing balance | | (819,798) | (26,361,742) |
| | | <u>25,541,944</u> | <u>(17,256,115)</u> |
| | | <u>1,075,125,472</u> | <u>1,116,069,214</u> |

| | Note | 2019 Rupees | 2018 Rupees |
|--|------|--------------------|--------------------|
| 22.1 RAW MATERIAL CONSUMED | | | |
| Opening balance | | 56,869,352 | 26,421,193 |
| Purchases | | 777,320,014 | 825,612,579 |
| | | <u>834,189,366</u> | <u>852,033,772</u> |
| Closing balance | | (62,111,382) | (56,869,352) |
| | | <u>772,077,984</u> | <u>795,164,420</u> |
| 23. DISTRIBUTION COST | | | |
| Selling commission | | 122,775 | 185,542 |
| 24. ADMINISTRATIVE EXPENSES | | | |
| Staff salaries and benefits | | 6,297,377 | 5,107,100 |
| Provident fund contribution | 24.2 | 289,124 | 185,168 |
| Postage and telecommunication | | 250,142 | 265,807 |
| Electricity, gas and water | | 156,094 | 343,027 |
| Printing and stationery | | 37,361 | 83,125 |
| Traveling and conveyance | | 370,259 | 664,578 |
| Fee and subscriptions | | 424,462 | 352,117 |
| Legal and professional | | 748,940 | 849,790 |
| Repairs and maintenance | | 37,715 | 19,670 |
| Auditors' remuneration | 24.1 | 320,000 | 320,000 |
| Insurance | | 467,922 | 484,078 |
| Depreciation | 7.3 | 259,679 | 351,000 |
| Others | | 355,968 | 525,153 |
| | | <u>10,015,043</u> | <u>9,550,613</u> |
| 24.1 Auditors' remuneration | | | |
| Statutory audit | | 250,000 | 250,000 |
| Half yearly review | | 50,000 | 50,000 |
| Out of pocket expenses | | 20,000 | 20,000 |
| | | <u>320,000</u> | <u>320,000</u> |
| 24.2 | | | |
| The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017 and conditions specified thereunder. | | | |
| 25. OTHER OPERATING EXPENSES | | | |
| Workers' profit participation fund | | 783,216 | 2,088,329 |
| 26. FINANCE COST | | | |
| Interest on workers' profit participation fund | | 74,778 | - |
| Bank charges and commission | | 16,247 | 40,396 |
| | | <u>91,025</u> | <u>40,396</u> |
| 27. OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on deposit accounts | | 1,258,233 | 496,249 |
| Exchange gain on foreign currency translation | | 41,322 | 16,102 |
| Profit on deposit with SNGPL | | 468,371 | 530,921 |
| Realized gain on disposal of short term investments | | - | 129,175 |
| Income from non-financial assets | | | |
| Gain on disposal of property, plant and equipment | | 1,021,633 | - |
| Balances written back | | - | 24,642,541 |
| | | <u>2,789,549</u> | <u>25,814,988</u> |
| 28. TAXATION | | | |
| Current year | 28.1 | 13,727,864 | 14,272,467 |
| Deferred tax | | | |
| Deferred tax relating to the origination and reversal of temporary differences | | 1,195,645 | (3,277,122) |
| Deferred tax income resulting from reduction in tax rate | | - | (2,263,562) |
| | | <u>1,195,645</u> | <u>(5,540,684)</u> |
| | | <u>14,923,509</u> | <u>8,731,783</u> |

28.1 In view of the available taxable losses, provision for current taxation has been made on turnover under Section 113(1) of the Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required.

29. (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

29.1 (Loss)/earnings per share - Basic

(Loss)/profit for the year (Rupees)

Weighted average number of ordinary shares outstanding during the year

(Loss)/earnings per share - basic (Rupees)

| | 2019 | 2018 |
|--|------------|------------|
| | (42,409) | 30,946,469 |
| | 12,601,168 | 12,601,160 |
| | (0.003) | 2.456 |

29.2 Earnings per share - Diluted

A diluted earnings per share have not been presented as the company does not have any convertible instruments in issue as at June 30, 2019 and 2018 which would have any effect on the earnings per share if the option to convert is exercised.

30. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Balance as on July 01, 2018 | Non Cash Changes | Cash Flows | Balance as on June 30, 2019 |
|---------------------------|-----------------------------|------------------|-------------|-----------------------------|
| | [R u p e e s] | | | |
| Long term financing | 4,000,000 | - | (4,000,000) | - |
| Loan from related parties | 125,926,743 | - | 7,276,521 | 133,203,264 |
| | 129,926,743 | - | 3,276,521 | 133,203,264 |

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No remuneration is paid to the Chief Executive Officer and Directors of the Company. However, Chief Executive Officer and Directors are entitled to free use of Company maintained cars. The monetary value of these benefits is approximately Rs. nil (2018: Rs. 122,675/-).

No employee of the Company falls within the definition of executive as defined in the 4th schedule to the Companies Act, 2017.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, entities under common directorship, directors, major shareholders, key management personnel and retirement benefit fund. The Company in the normal course of business carries out transactions with these related parties. Amounts due from and due to related parties, if any, are shown under relevant notes to financial statements. Remuneration to chief executive, directors and key management personnel is disclosed in note 31. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| Name | Nature of transactions | 2019 Rupees | 2018 Rupees |
|--|--|-------------|-------------|
| J.A Textile Mills Limited, Employees' provident fund trust | Company's contribution to the fund | 3,107,782 | 2,825,222 |
| CEO/directors/members | Loan obtained/(repaid) during the year - net | 7,276,521 | (1,170,536) |

32.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

| Company Name | Basis of Relationship | Common Directorship / Percentage of shareholding | Address and Country of Incorporation |
|--|------------------------|--|--|
| Asim Textile Mills limited | Associated Undertaking | Common Directors | JK House, 32-W, Susan Road, Madina Town, Faisalabad, Pakistan. |
| Zeeshan Energy Limited | Associated Undertaking | Common Directors | JK House, 32-W, Susan Road, Madina Town, Faisalabad, Pakistan. |
| J.A Textile Mills Limited, Employees' provident fund trust | Trustees | N/A | JK House, 32-W, Susan Road, Madina Town, Faisalabad, Pakistan. |

| | [UOM] | 2019 | 2018 |
|---|---------|------------|------------|
| 33. PLANT CAPACITY AND ACTUAL PRODUCTION | | | |
| Installed capacity after conversion into 20/s | [KG/s] | 11,162,729 | 11,162,729 |
| Actual production after conversion into 20/s | [KG/s] | 6,751,456 | 8,646,217 |

Reasons for shortfall

The short fall in actual production during the year when compared with capacity is mainly on account of:
 - The actual production is planned to meet the market demand and orders in hand;

| | 2019 | 2018 |
|---|------|------|
| 34. NUMBER OF EMPLOYEES | | |
| Average number of employees during the year | 450 | 506 |
| Number of employees at end of the year | 528 | 534 |

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2015

| Fair value through profit or loss | Carrying Amount | | Fair Value | | | | |
|-----------------------------------|-----------------|-----------------------------|------------|---------|---------|---------|---------|
| | Amortized cost | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| 302,521 | - | - | 302,521 | 302,521 | - | - | 302,521 |

Financial assets measured at fair value

Investments in mutual fund

Financial assets not measured at fair value

- Long term deposits
- Trade debts
- Advances and other receivables
- Cash and bank balances

| | | | | | | | |
|---------|-------------|---|-------------|---------|---|---|------------|
| 302,521 | - | - | 302,521 | 302,521 | - | - | 302,521 |
| - | 17,427,380 | - | 17,427,380 | - | - | - | 17,427,380 |
| - | 47,622,654 | - | 47,622,654 | - | - | - | 47,622,654 |
| - | 867,991 | - | 867,991 | - | - | - | 867,991 |
| - | 42,755,000 | - | 42,755,000 | - | - | - | 42,755,000 |
| 302,521 | 108,673,035 | - | 108,975,546 | 302,521 | - | - | 302,521 |

Financial liabilities measured at fair value

Financial liabilities not measured at fair value

- Trade and other payables
- Undisputed dividend

| | | | | | | | |
|---|---|-------------|-------------|---|---|---|-------------|
| - | - | - | - | - | - | - | - |
| - | - | 261,752,475 | 261,752,475 | - | - | - | 261,752,475 |
| - | - | 443,720 | 443,720 | - | - | - | 443,720 |
| - | - | 262,196,195 | 262,196,195 | - | - | - | 262,196,195 |

2018

| | Carrying Amount | | Fair Value | | | | |
|--|-----------------------------------|----------------|-----------------------------|-------|---------|---------|---------|
| | Fair value through profit or loss | Amortized cost | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |

Financial assets measured at fair value
 Investments in mutual fund: 341,529 - - - 341,529 - - 341,529

Financial assets not measured at fair value
 Long term deposits: - 17,427,380 - - 17,427,380 - - -
 Trade debts: - 6,056,856 - - 6,056,856 - - -
 Advances and other receivables: - 985,446 - - 985,446 - - -
 Cash and bank balances: - 3,012,176 - - 3,012,176 - - -

| | | | | | | | | | |
|--|---------|------------|---|------------|---------|---|---|---|---------|
| | 341,529 | 27,481,858 | - | 27,823,387 | 341,529 | - | - | - | 341,529 |
|--|---------|------------|---|------------|---------|---|---|---|---------|

Financial liabilities measured at fair value
 Financial liabilities not measured at fair value
 Trade and other payables: - - 212,640,115 212,640,115 - - -
 Unclaimed dividend: - - 443,720 443,720 - - -
 Current portion of long term financing: - - 4,000,000 4,000,000 - - -

| | | | | | | | | | |
|--|---|---|-------------|-------------|---|---|---|---|---|
| | - | - | 217,083,835 | 217,083,835 | - | - | - | - | - |
|--|---|---|-------------|-------------|---|---|---|---|---|

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available. Market risks are managed by the Company through the adoption of appropriate policies to cover currency risks and interest rate risks.

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

- Market risk
- Credit risk
- Liquidity risk

36.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk such as equity risk. The sensitivity analysis in the following sections relate to the position as at June 30, 2019 and 2018.

36.1.1 Interest rate risk:

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

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

| | 2019 | 2018 |
|--|------------|------------|
| Variable rate instruments | | |
| Security deposit with SNGPL (Rupees) | 14,316,500 | 14,466,500 |
| Effective interest rate in percentage | 4.03 | 3.67 |
| Bank balances in deposit accounts (Rupees) | 9,141,707 | 194,502 |
| Effective interest rate in percentage | 9.18 | 5.00 |

Cash flow sensitivity analysis for variable rate instruments

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

| | 2019 Rupees | 2018 Rupees |
|--|----------------|----------------|
| Effect on profit and loss of an increase in interest rate for deposit with SNGPL | 136,007 | 144,665 |
| Effect on profit and loss of an increase in interest rate for balances in deposit accounts | 130,279 | 99,250 |
| | <u>266,286</u> | <u>243,915</u> |

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

36.1.2 Currency risk / Foreign Exchange risk:

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

Exposure to Currency Risk

The Company's exposure to currency risk is restricted to the balance in foreign currency bank account. The Company's exposure to currency risk is as follows:

| Particulars | Currency | 2019 | | 2018 | |
|--------------|----------|------------|---------|------------|---------|
| | | F.Currency | Rupees | F.Currency | Rupees |
| Bank balance | US \$ | 970.00 | 159,080 | 970.00 | 117,758 |

The following significant exchange rates were applied during the year :

| Foreign Currency | 2019 | | 2018 | |
|------------------|-----------------|---------------------|-----------------|---------------------|
| | Average Rate | Reporting Date Rate | Average Rate | Reporting Date Rate |
| | [R U P E E S] | | [R U P E E S] | |
| US \$ | 142.70 | 164.00 | 113.10 | 121.40 |

Currency rate sensitivity analysis

If the functional currency, at reporting date, had weakened by 5% against the foreign currencies with all other variables held constant, the profit before taxation would have increased for the year 2019 and 2018 by the following amounts:

| Foreign Currency | 2019 Rupees | 2018 Rupees |
|------------------|----------------|----------------|
| US \$ | <u>7,556</u> | <u>5,478</u> |

A 5% strengthening of the functional currency against foreign currencies at June 30 would have had the equal but opposite effect of these amounts.

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The analysis assumes that all other variables remained constant.

36.1.3 Other price risk:

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk, because of the investments held by the Company in mutual funds, and classified on the statement of financial position as fair value through other comprehensive income. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio.

Short term investments include fair value through other comprehensive income of Rs. 302,521/- (2018: 341,529/-) which were subject to price risk.

If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, profit after tax for the year would have been Rs. 14,370/- (2018: 16,223/-) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

36.2 Credit risk:

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

| | 2019 Rupees | 2018 Rupees |
|--------------------------------|--------------------|-------------------|
| Long term deposits | 17,427,380 | 17,427,380 |
| Trade debts | 47,622,659 | 6,056,856 |
| Advances and other receivables | 867,991 | 985,446 |
| Short term investment | 302,521 | 341,529 |
| Bank balances | 41,990,557 | 2,058,916 |
| | <u>108,211,103</u> | <u>26,870,127</u> |

Long term deposits have been mainly placed with suppliers of electricity, gas and telecommunication services. Considering the financial position and credit quality of the institutions, the Company's exposure to credit risk is not significant.

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Moreover, the management regularly monitors and reviews customers' credit exposure. Accordingly, the company is not exposed to any significant credit risk.

Advances mainly consist of advances to employees. Advances to employees are secured against employees' retirement benefits. Other receivables constitute mainly accrued profit receivables from SNGPL and profit on bank deposits. Therefore, the Company is not exposed to any significant credit risk on these advances and other receivables.

Short term investment is investment in mutual fund. The credit risk on liquid funds is limited because counter party is bank with reasonably high credit ratings.

| | 2019 [Credit Ratings] | 2018 [Credit Ratings] |
|-----------------------------|----------------------------|----------------------------|
| NBP Fund Management Limited | AM1 | AM1 |

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

| Name of Bank | Date | Long term | Short term | Outlook | Agency |
|-------------------------------------|-----------|-----------|------------|---------|---------|
| Al-Baraka Bank (Pakistan) Limited | 28-Jun-19 | A | A1 | Stable | PACRA |
| Bank Al-Habib Limited | 28-Jun-19 | AA+ | A1+ | Stable | PACRA |
| JS Bank Limited | 28-Jun-19 | AA- | A1+ | Stable | PACRA |
| Dubai Islamic Bank Pakistan Limited | 28-Jun-19 | AA | A-1+ | Stable | JCR-VIS |
| Faysal Bank Limited | 27-Jun-19 | AA | A1+ | Stable | PACRA |
| National Bank of Pakistan | 28-Jun-19 | AAA | A1+ | Stable | PACRA |
| United Bank Limited | 28-Jun-19 | AAA | A-1+ | Stable | JCR-VIS |

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the risk is minimal.

36.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and the availability of funding through an adequate amount of committed credit facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board. The management believes that the company is not exposed to any liquidity risk.

The following are the contractual maturity analysis of financial liabilities as at June 30, 2019 and 2018:

| | | 2019 | | | |
|--|------------------------|--------------------|-------------------------------------|------------------------------------|---|
| Carrying amount | Contractual cash flows | Within 6 months | More than 6 months and up to 1 year | More than 1 year and up to 5 years | |
| [Rupees] | | | | | |
| Financial Liabilities : | | | | | |
| Trade and other payables | 261,752,475 | 261,752,475 | 261,752,475 | - | - |
| Unclaimed dividend | 443,720 | 443,720 | 443,720 | - | - |
| | <u>262,196,195</u> | <u>262,196,195</u> | <u>262,196,195</u> | - | - |
| | | 2018 | | | |
| Carrying amount | Contractual cash flows | Within 6 months | More than 6 months and up to 1 year | More than 1 year and up to 5 years | |
| [Rupees] | | | | | |
| Financial Liabilities : | | | | | |
| Trade and other payables | 212,640,115 | 212,640,115 | 212,640,115 | - | - |
| Unclaimed dividend | 443,720 | 443,720 | 443,720 | - | - |
| Current portion of long term financing | 4,000,000 | 4,000,000 | 4,000,000 | - | - |
| | <u>217,083,835</u> | <u>217,083,835</u> | <u>217,083,835</u> | - | - |

37. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for shareholders thereby maximizing their wealth, benefits for other stakeholders and reduce the cost of capital.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of debt to equity ratio, calculated on the basis of total debt to equity.

| | 2019 Rupees | Restated 2018 Rupees |
|--|--------------------|----------------------------|
| Current portion of long term financing | - | 4,000,000 |
| Debt | - | 4,000,000 |
| Equity | <u>254,448,112</u> | <u>247,253,008</u> |
| Total capital (equity + debt) | <u>254,448,112</u> | <u>251,253,008</u> |
| Gearing ratio (Percentage) | - | 1.59 |

38. DATE OF AUTHORIZATION FOR ISSUE

05 OCT 2019

The financial statements were authorized for issue on _____ by the Board of Directors of the Company.

39. GENERAL

39.1 Corresponding figures

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of better presentation. However, during the year no reclassification is made in the corresponding figures.

39.2 Rounding

Figures have been rounded off to the nearest Rupee.

~~CHIEF EXECUTIVE~~

CHIEF FINANCIAL OFFICER

DIRECTOR