

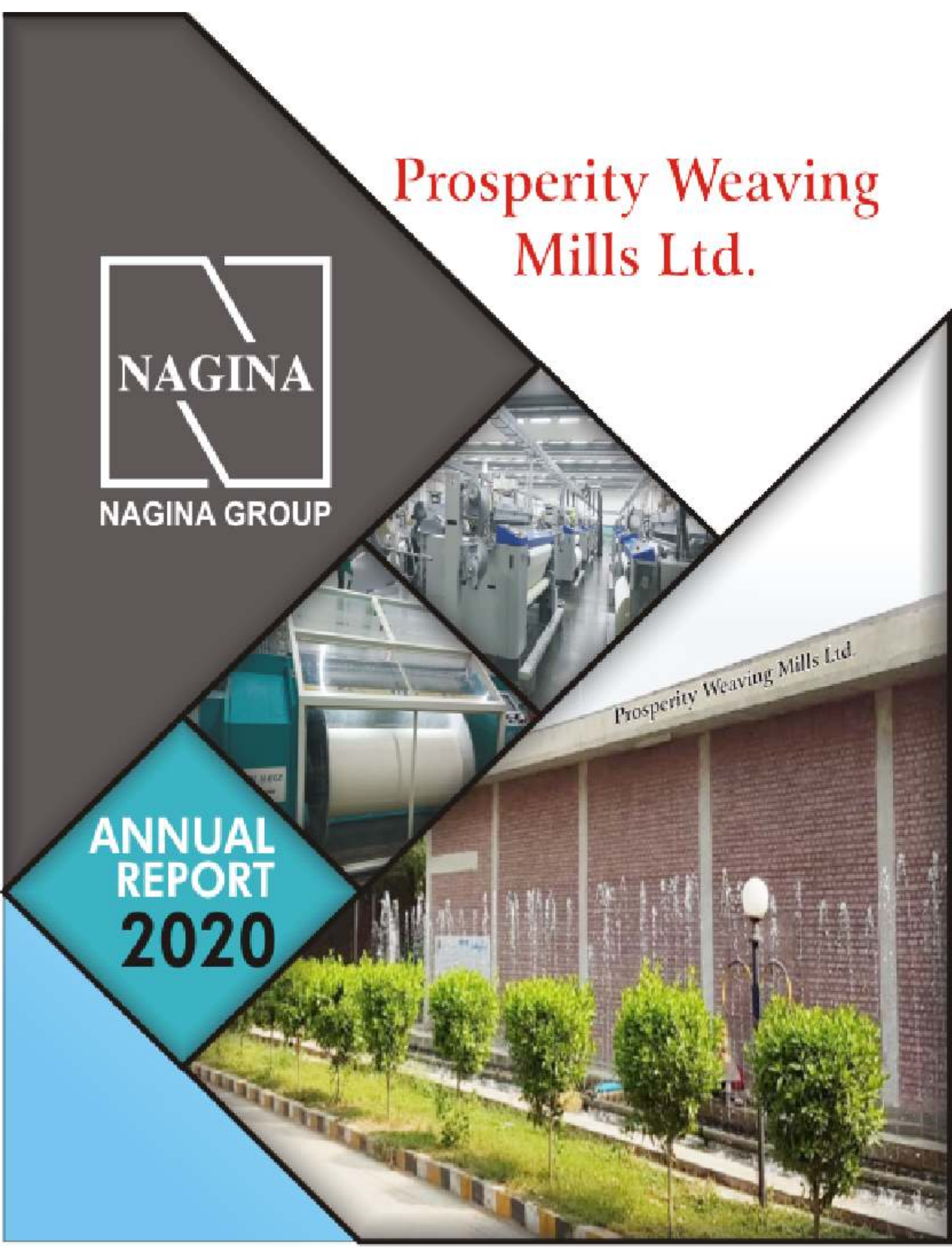
Prosperity Weaving Mills Ltd.



NAGINA GROUP

**ANNUAL
REPORT
2020**

Prosperity Weaving Mills Ltd.





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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
Ms. Parveen Akhter Malik	Independent Non-Executive Director
Mr. Arfa Waheed Malik	Independent Non-Executive Director
Mr. Aneeq Khawar	Independent Non-Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Amin Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Executive Director

MANAGING DIRECTOR (Chief Executive) Mr. Raza Ellahi Shaikh

AUDIT COMMITTEE

Ms. Parveen Akhter Malik	Chairperson
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Ms. Parveen Akhter Malik	Chairperson
Mr. Raza Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

EXECUTIVE COMMITTEE

Mr. Raza Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Tariq Sheikh

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

AUDITORS

Messrs Deloitte Yousuf Adil.
Chartered Accountants

CORPORATE ADVISORS

Bandial & Associates

LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Meezan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

REGISTERED OFFICE

Nagina House
91-B-1, M.M. Alam Road
Gulberg-III, Lahore-54660

WEB REFERENCE

www.nagina.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House
7-Bank Square, Lahore
Phone # 042-37235081-2
Fax # 042-37358817

MILLS

13.5 K.M
Sheikhupura Sharaqpur Road, Sheikhupura

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of members of PROSPERITY WEAVING MILLS LTD. will be held on **Monday, October 26, 2020** at 11:00 a.m., electronically through video-link facility (Zoom App.), managed from registered office of the Company, to transact the following business:-

A. ORDINARY BUSINESS

- 1) To confirm minutes of the Extraordinary General Meeting held on January 27, 2020.
- 2) To receive, consider and adopt Audited Financial statement of the Company together with the Chairman's Review Report, Directors' and Auditors' reports thereon for the year ended June 30, 2020.
- 3) To appoint Auditors for the year ending on June 30, 2021 and fix their remuneration.
- 4) To transact any other ordinary business with the permission of the Chair.

B. SPECIAL BUSINESS

To discuss, consider, approve and, if thought fit, pass the following special resolution with or without modification(s):

RESOLVED that pursuant to the requirements of Section 199 of the Companies Act, 2017, Prosperity Weaving Mills Ltd., (the "Company") be and is hereby authorized to make investment of up to PKR 100,000,000 (Rupees One Hundred Million Only) from time to time in each of the following associated companies (a) Nagina Cotton Mills Ltd, (b) Ellcot Spinning Mills Ltd, by way of advances and / loans, as and when required by these associated companies, provided that the return on such loans and / advances shall not be less than the average borrowing cost of the Company and that such loans / or advances shall be repayable within one year from the date of disbursement.

FURTHER RESOLVED that the above said resolution shall be valid for 5 (five) years and the Chief Executive Officer of the Company be and is hereby authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and the Chief Executive and/or Company Secretary be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

Statements under Section 134(3) of the Companies Act, 2017 along with the information required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 concerning special business is annexed.

By Order of the Board



Syed Mohsin Gilani
Corporate Secretary

Lahore: September 24, 2020

NOTES:

- 1) The share transfer books for ordinary shares of the Company will be closed from Tuesday, October 20, 2020 to Monday, October 26, 2020 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Monday, October 19, 2020 will be in time to attend the meeting.
- 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 Company's registered office not less than forty-eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
- 3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.
- 4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
- 5) Due to current COVID-19 situation, the Government has suspended large public gatherings at one place. Additionally, the Securities and Exchange Commission of Pakistan (SECP) in terms of its Circular No.5 of 2020 issued on March 17, 2020 and Pakistan Stock Exchange Limited (PSX) through its notice Ref: PSX/N-372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large.

Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies.

The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell Number and Number of shares held in their name with subject "Registration for Prosperity Weaving Mills Limited AGM-20" alongwith valid copy of both sides of Computerized National Identity Card (CNIC) at prosperity-agm20@nagina.com. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address prosperity-agm20@nagina.com.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

- 6) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and Notification S.R.O. 831(I)/2012 dated July 5, 2012.

- 7) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS) for future dividends, if any.
- 8) The financial statements for the year ended June 30, 2020 shall be uploaded on the Company's website www.nagina.com twenty-one days prior to the date of holding of annual general meeting.
- 9) Pursuant to SECP Notification S.R.O. 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.
- 10) Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 11) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
- 12) Members are requested to promptly notify the Company of any change in their registered address.
- 13) **IMPORTANT:**
 - a) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Square, Lahore.
 - b) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 REGARDING SPECIAL BUSINESS

This Statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 26, 2020.

M/s. Nagina Cotton Mills Ltd. (NCML) and Ellcot Spinning Mills Ltd. (ESML) are not members of the Company. Their sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in the Company which is as follows:

Sr. No.	Name	% of Shareholding
1.	Mr. Shahzada Ellahi Shaikh	11.47
2.	Mr. Shaukat Ellahi Shaikh	11.57
3.	Mr. Shafqat Ellahi Shaikh	11.47
4.	Mr. Raza Ellahi Shaikh	7.58
5.	Mr. Amin Ellahi Shaikh	7.58
6.	Mr. Haroon Shahzada Ellahi Shaikh	3.79
7.	Mr. Omer Ellahi Shaikh	3.79

Information under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

(a) Disclosure for all types of investments																
(A) Disclosure regarding associated company																
i.	Name of Associated Company or Associated Undertaking.	<p>a) M/s. Nagina Cotton Mills Ltd. (NCML)</p> <p>b) M/s. Ellcot Spinning Mills Ltd., (ESML)</p>														
ii.	Basis of Relationship.	Common Directorship														
iii.	Earnings / (Loss) per Share for the last three years.	<table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Earnings Per Share (Rs.)</th> </tr> <tr> <th>NCML</th> <th>ESML</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>0.41</td> <td>20.63</td> </tr> <tr> <td>2019</td> <td>16.50</td> <td>18.70</td> </tr> <tr> <td>2018</td> <td>8.46</td> <td>11.92</td> </tr> </tbody> </table>	Year	Earnings Per Share (Rs.)		NCML	ESML	2020	0.41	20.63	2019	16.50	18.70	2018	8.46	11.92
Year	Earnings Per Share (Rs.)															
	NCML	ESML														
2020	0.41	20.63														
2019	16.50	18.70														
2018	8.46	11.92														
iv.	Break-up value per Share, based on last audited financial statements.	<p>NCML = Rs. 100.56</p> <p>ESML = Rs. 160.29</p>														

v.	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements.	<p>As on June 30, 2020</p> <table border="1" data-bbox="708 454 1374 906"> <thead> <tr> <th data-bbox="708 454 1006 493">Description</th> <th data-bbox="1006 454 1194 493">NCML</th> <th data-bbox="1194 454 1374 493">ESML</th> </tr> <tr> <th colspan="3" data-bbox="708 493 1374 532">Rupees in millions</th> </tr> </thead> <tbody> <tr> <td data-bbox="708 532 1006 571">Paid up Capital</td> <td data-bbox="1006 532 1194 571">187.000</td> <td data-bbox="1194 532 1374 571">109.500</td> </tr> <tr> <td data-bbox="708 571 1006 610">Non-current assets</td> <td data-bbox="1006 571 1194 610">2,973.353</td> <td data-bbox="1194 571 1374 610">2,460.423</td> </tr> <tr> <td data-bbox="708 610 1006 649">Current assets</td> <td data-bbox="1006 610 1194 649">3,950.960</td> <td data-bbox="1194 610 1374 649">2,916.997</td> </tr> <tr> <td data-bbox="708 649 1006 688">Non-Current Liability</td> <td data-bbox="1006 649 1194 688">2,321.566</td> <td data-bbox="1194 649 1374 688">2,083.557</td> </tr> <tr> <td data-bbox="708 688 1006 727">Current Liabilities</td> <td data-bbox="1006 688 1194 727">2,722.251</td> <td data-bbox="1194 688 1374 727">1,538.732</td> </tr> <tr> <td data-bbox="708 727 1006 766">Revenue</td> <td data-bbox="1006 727 1194 766">7,070.172</td> <td data-bbox="1194 727 1374 766">6,152.929</td> </tr> <tr> <td data-bbox="708 766 1006 805">Gross Profit</td> <td data-bbox="1006 766 1194 805">593.821</td> <td data-bbox="1194 766 1374 805">757.673</td> </tr> <tr> <td data-bbox="708 805 1006 844">Finance Cost</td> <td data-bbox="1006 805 1194 844">277.813</td> <td data-bbox="1194 805 1374 844">189.347</td> </tr> <tr> <td data-bbox="708 844 1006 906">Profit After Tax</td> <td data-bbox="1006 844 1194 906">7.629</td> <td data-bbox="1194 844 1374 906">225.879</td> </tr> </tbody> </table>	Description	NCML	ESML	Rupees in millions			Paid up Capital	187.000	109.500	Non-current assets	2,973.353	2,460.423	Current assets	3,950.960	2,916.997	Non-Current Liability	2,321.566	2,083.557	Current Liabilities	2,722.251	1,538.732	Revenue	7,070.172	6,152.929	Gross Profit	593.821	757.673	Finance Cost	277.813	189.347	Profit After Tax	7.629	225.879
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vi.	<p>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, - namely,</p> <p>(I) description of the project and its history since conceptualization;</p> <p>(II) starting date and expected date of completion of work;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected time by which the project shall start paying return on investment; and</p> <p>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</p>	Not Applicable																																	
(B) General Disclosures:																																			
i)	Maximum amount if investment to be made.	<p>Loan investment upto Rs. 100,000,000/- (Rupees one hundred million only) to each of the following:</p> <p>a) Nagina Cotton Mills Ltd.</p> <p>b) Ellcot Spinning Mills Ltd.</p>																																	

ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment.	To provide an option to the associated companies to avail finance as and when required and to park any surplus funds with the associated companies to earn a return over and above offered in the market.														
iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	Surplus funds of the Company N/A N/A N/A														
iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment.	Agreement will be signed after approval by the members. Other significant terms and conditions are as under: 1. Interest due on outstanding amount of loan shall be paid by the associated company on monthly basis on or before 10 th of every month starting from the next month of the disbursement of loan. 2. In case of delay in re-payment principal and interest, an additional sum equivalent to 2% per annum on the unpaid amount for the period for which the payment is delayed, shall be paid by associated company to the Company in addition to the agreed interest amount. 3. All payments under the loan agreement shall be made through crossed cheques.														
v)	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The following directors of the Company are also the directors in the investee company, however, the directors have no director or indirect interest except to the extent of their shareholding / directorship in the investee company. <table border="1"> <thead> <tr> <th>S #</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr. Shahzada Ellahi Shaikh</td> </tr> <tr> <td>2.</td> <td>Mr. Shaukat Ellahi Shaikh</td> </tr> <tr> <td>3.</td> <td>Mr. Shafqat Ellahi Shaikh</td> </tr> <tr> <td>4.</td> <td>Mr. Raza Ellahi Shaikh</td> </tr> <tr> <td>5.</td> <td>Mr. Amin Ellahi Shaikh</td> </tr> <tr> <td>6.</td> <td>Mr. Haroon Shahzada Ellahi Shaikh</td> </tr> </tbody> </table>	S #	Name	1.	Mr. Shahzada Ellahi Shaikh	2.	Mr. Shaukat Ellahi Shaikh	3.	Mr. Shafqat Ellahi Shaikh	4.	Mr. Raza Ellahi Shaikh	5.	Mr. Amin Ellahi Shaikh	6.	Mr. Haroon Shahzada Ellahi Shaikh
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vi)	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information /justification for any impairment or write offs.	Not applicable														

vii)	any other important details necessary for the members to understand the transaction.	None
Additional disclosure regarding investment in the form of Loan / Advance		
(i)	category wise amount of investment.	Loan investment upto Rs. 100,000,000/- (Rupees one hundred million only) to each of the following: a) Nagina Cotton Mills Ltd. b) Ellcot Spinning Mills Ltd.
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for <i>Shariah</i> compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period.	The current average borrowing cost of the Company for the year ended June 30, 2020 was 5.874%.
(iii)	rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	Not less than average borrowing cost of the Company to be decided by Chief Executive Officer (Mg. Director).
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment,	No security to be obtained as all companies are under common management.
(v)	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	None
(vi)	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Repayment of principal will be made within one year with payment of interest due on monthly basis.

STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017.

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (U/S 199 of the Companies Act, 2017) on October 30, 2015. The Company has not made any investment under the resolution. Following is the status

a) Total investment approved;	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Ellcot Spinning Mills Ltd. (ESML)																																			
b) Amount of investment made to date;	Nil																																			
c) Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	Due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2019-20.																																			
d) Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.	<table border="1"> <thead> <tr> <th></th> <th align="center" colspan="2">Present Financial Position as on June 30, 2020</th> <th align="center" colspan="2">Financial Position at the time of Approval as on June 30, 2015</th> </tr> <tr> <th></th> <th align="center">NCML</th> <th align="center">ESML</th> <th align="center">NCML</th> <th align="center">ESML</th> </tr> <tr> <th></th> <th align="center" colspan="4">Rupees in Millions</th> </tr> </thead> <tbody> <tr> <td>Net sales</td> <td align="right">7,070.172</td> <td align="right">6,152.929</td> <td align="right">4,208.114</td> <td align="right">4,588.788</td> </tr> <tr> <td>Gross profit</td> <td align="right">593.821</td> <td align="right">757.673</td> <td align="right">389.233</td> <td align="right">291.992</td> </tr> <tr> <td>Profit before tax</td> <td align="right">100.274</td> <td align="right">361.369</td> <td align="right">148.032</td> <td align="right">90.206</td> </tr> <tr> <td>Profit after tax</td> <td align="right">7.629</td> <td align="right">225.879</td> <td align="right">133.689</td> <td align="right">54.291</td> </tr> </tbody> </table>		Present Financial Position as on June 30, 2020		Financial Position at the time of Approval as on June 30, 2015			NCML	ESML	NCML	ESML		Rupees in Millions				Net sales	7,070.172	6,152.929	4,208.114	4,588.788	Gross profit	593.821	757.673	389.233	291.992	Profit before tax	100.274	361.369	148.032	90.206	Profit after tax	7.629	225.879	133.689	54.291
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Vision:

To be the market leader by being the best and providing the best.

Mission:

Being one of the leading manufacturers of high quality greige fabric for apparel and home furnishing, we are committed to high quality product and customer satisfaction.

Our mission is to continually improve our products and services for our worldwide customers and to provide a better return to our shareholders.

We believe in keeping our production facilities equipped with the modern technologies by continuous upgrading to be competitive in the markets.

We strive towards building long-term and better relationship with our suppliers.

We care for our employees by providing them a healthy and safe working environment and opportunity for growth through learning and experience.

We do have a social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.



Control Union Certification B.V.
 Meesterlaan 4-6, 8011 BC, Zwolle, Netherlands
 +31 38 426 0500
 www.controlunion.com

SCOPE CERTIFICATE

Scope Certificate Number: CU80909695-2020-80017525

Control Union Certification is pleased to

Nagina Group

License Number: 809099
 92-B-1, M.M. Alam Road,
 Gulberg III,
 Lahore 54600
 Pakistan

has been inspected according to the standard
Global Recycled Standard (GRS)
 - Version 4.0 -

and the products of this category as mentioned below (and further specified in the accompanying certificate standard)

Product categories: Undyed yarns, Fabrics

Processing steps / activities provided under responsibility of the above mentioned company (by the operation or divided in the scope of certified products)

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from
 2020-06-06
 This certificate is valid until
 2021-06-05

Place and date of issue

Stamp of the issuing body

Supplier's logo



2020-06-11, Zwolle

Name of authorized person

On behalf of the Managing Director
 Pawan Galappa (PBI) | Certifier

This Scope Certificate provides no proof that any goods delivered by its holder are GRS certified. Proof of GRS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them. Accredited by the Lanka Accreditation Board (LAB) - Accreditation No. CP 004-02



Control Union Certification B.V.
 POB7 - Meesterlaan 4-6 - 8011 BC - Zwolle - The Netherlands
 T +31 38 426 0500 - F +31 38 425 7040 - certification@controlunion.com

The electronically transmitted version is the valid original version



Control Union Certification B.V.
 Meesterwaai 4-6, 8011 RC, Zwolle, Netherlands
 +31 38 426 0000
 www.controlunion.com

SCOPE CERTIFICATE

Scope Certificate Number: CU809299GOTS-2020-00037518

Control Union Certification B.V. is pleased to announce

Nagina Group

License Number: 809299
 92-B-1, M.M. Alam Road,
 Gulberg III,
 Lahore-54540
 Pakistan

has been inspected according to standard activities
 Global Organic Textile Standard (GOTS)
 -Version 5.8-

and the products of the category as mentioned below and further specified in the accompanying certificate standard

Product categories: Unspun yarns, Fabrics, Knitted yarns

Processing steps / activities provided under responsibility of the client mentioned in scope of the operations as detailed in the scope of certificate products

Weaving, Exporting, Importing, Trading, Spinning

The certificate is valid from
 2020-06-06
 The certificate is valid until
 2021-06-05

Place and date of issue



2020-06-11, Zwolle

Name of authorized person

On behalf of the Managing Director
 Pawan Gulappa (Pb) | Certifier

Stamp of the issuing body



Supplier's logo



This Scope Certificate provides no proof that any goods delivered by its holder are GOTS certified. Proof of GOTS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them. Issued by Dutch Accredited Control Union, Accreditation No. C-002



The electronically transmitted version is the valid original version.

Control Union Certification B.V.
 POB 7 - Meesterwaai 4-6 - 8011 RC - Zwolle - The Netherlands
 T +31 38 426 0000 - F +31 38 425 7040 - certification@controlunion.com



Control Union Certification B.V.
Meerwerklaan 4-A, 8011 RC, Zwolle, Netherlands
+31 38 426 0000
www.controlunion.com

SCOPE CERTIFICATE

Scope Certificate Number: CU008794DCS-2020-80017617

Control Union Certification declares that:

Nagina Group

License Number: 807099
92-B-1, M.M. Alam Road,
Gulberg II,
Lahore 54600
Pakistan

has been inspected according to standard activities
Organic Control Standard (DCS)
-Version: 2.0-

and the products of the category as mentioned below (and further specified in the accompanying certificate standard)

Product categories: Undyed yarns, Fabrics

Processing steps / activities provided under responsibility of the above mentioned company (by the operations or divided in the record for certified products)

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:
2020-06-06
This certificate is valid until:
2021-06-05

Please provide us with:



Stamp of the issuing body



Standard's logo



2020-06-11, Zwolle

Name of authorisation person

On behalf of the Managing Director
Peeran Gulappa Pithi | Carrier

This Scope Certificate provides no proof that any goods delivered by its holder are DCS certified. Proof of DCS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them. Accredited for the Lanka Accreditation Board (LAB) - Accreditation No. CP 004-02



The electronically transmitted version is the valid original version.

Control Union Certification B.V.
POB7 - Meerwerklaan 4-A - 8011 RC - Zwolle - Netherlands
T +31 38 426 0000 - F +31 38 426 7040 - certification@controlunion.com



Control Union Certification B.V.
 Meesterlaan 4-6, 8011 BC, Zwolle, Netherlands
 +31 38 426 0000
 www.controlunion.com

SCOPE CERTIFICATE

Scope Certificate Number: CU80999PCS-2020-00617514

Control Union Certification determines:

Nagina Group

License Number: 80999
 92-B-1, M.M. Alam Road,
 Gulberg III,
 Lahore 54000
 Pakistan

has been inspected according to standard activities
 Recycled Claim Standard (RCS)
 - Version 2.0 -

and the products of the category as mentioned below and further specified in the accompanying certificate standard

Product categories: Undyed yarns, Fabrics

Processing steps / activities provided under responsibility of the state mentioned in scope by the operations or divided in the scope for certificate products

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:
 2020-06-06
 This certificate is valid until:
 2021-06-05

Place and date of issue



2020-06-11, Zwolle

Name of authorisation person

On behalf of the Managing Director
 Pawan Gulappa (Pb) | Certifier

Stamp of the issuing body



Supplier's logo



This Scope Certificate provides no proof that any goods delivered by its holder are RCS certified. Proof of RCS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them. Issued by the Textile Certification Board (TCB) - Accreditation No. CP 004-02



The electronically transmitted version is the valid signed version

Control Union Certification B.V.
 POB1 - Meesterlaan 4-6 - 8011 BC - Zwolle - Netherlands
 T +31 38 426 0000 - F +31 38 426 7040 - certification@controlunion.com

CERTIFICATE

The company

PROSPERITY WEAVING MILLS LTD.
Nagina House, 91-B-1,
N.M. Alam Road, Gulberg III
54560 Lahore, PAKISTAN

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use
the STANDARD 100 by OEKO-TEX® mark, based on our test report
20200K1055



for the following articles:

Orange woven fabric made of 100% cotton and its mixtures with polyester and elastane. Partly based on pre-certified material according to STANDARD 100 by OEKO-TEX®.

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 6, product class I have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 6 for baby articles.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, etc.), the American requirement regarding total content of lead in children's articles (CPSA; with the exception of accessories made from glass) and of the Chinese standard GB 18401:2010 (labelling requirements were not verified).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate 2011PKD110 is valid until 31.07.2021

Alexy, 05.07.2020


Silvia Doreasa Valencia
Innovation Assistant Manager




Isabel Soriano Samiá
Chief of Innovation Area



CERTIFICATE

**Management System as per
EN ISO 9001 : 2015**

In accordance with TÜV AUSTRIA procedures, it is hereby certified that

PROSPERITY WEAVING MILLS LIMITED.

**Head Office: 91 Nagina Haouse M.M Alam Road Gulberg-II,
LAHORE, PAKISTAN.**

**MILLS: 13.5 KM, Sheikhupura Sharkpur Road Ellahipur Mousa Ghazi Androon,
TEHSIL & DISTRICT SHEIKHUPURA, PAKISTAN.**

Applies a Quality Management System in line with the above Standard for the
following Scope

MANUFACTURING AND EXPORTING OF FABRIC.

Certificate Registration No.: 91013788

Valid until: 2021-05-10
Initial certification: 2012-11-10



Responsible
Certification Body
at TÜV AUSTRIA

Lahore, 2019-08-20

This certification was conducted in accordance with TÜV AUSTRIA auditing and certification
procedures and is subject to regular surveillance audits.

TÜV AUSTRIA HELLAS
409, Mesogion Ave.
GR-152 42 Athens, Greece
www.tuv.austria.gr/hellas.gr



TÜV AUSTRIA
GROUP

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

The Board of Directors (the Board) of Prosperity Weaving Mills Limited (PWML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Code).

- The elections of directors was held in January, 2020. All the elected directors are well-versed individuals as detailed in Directors' Report. The Board comprise of adequate number of Independent and Non-Executive Directors with highly qualified members from diversified backgrounds. The Board played an indispensable role in achieving the Company's objectives by providing oversight, guidance, strategic direction, assessing strategy & underlying purpose of actions taken by Management and monitoring of the Company's Performance towards achievement of its objectives;
- The Board has actively participated in strategic planning process, enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and/or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making; and
- Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the Board and its Committee Meetings. The non- executive and independent directors are equally involved in important decisions of the board.

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



Shahzada Ellahi Shaikh
Chairman

Lahore: September 24, 2020

بورڈ کی مجموعی کارکردگی اور کھپتی کے مقاصد کے حصول میں بورڈ کے ممبروں کو روٹ پر چیئر مین کی جائزہ رپورٹ

پراہتیس سنی و جگ ملز لمیٹڈ (PWML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کھپتی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں سمجھی سے انجام دی ہیں اور کھپتی کے امور کو موثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے چیئر مین کی 2017 اور سالانہ رپورٹ (کوآف کارپوریشن گورننس) ریکمپنڈیشنز، 2019 میں دئے گئے اپنے اختیارات اور ذمہ داریوں کو بخوبی سراہا گیا ہے۔

- جنوری 2020 میں ڈائریکٹرز کے انتخابات ہوئے۔ تمام منتخب ڈائریکٹرز باصلاحیت ہیں جس کی تفصیل ڈائریکٹرز رپورٹ میں دی گئی ہے۔ بورڈ متنوع پس منظر سے تعلق رکھنے والے اہل جانی تجربہ کار ارکان کے ساتھ آواز اور غیر ایکٹو ڈائریکٹرز کی مناسب تعداد پر مشتمل ہے۔ بورڈ نے گہرائی، درجہ بندی، اسٹریٹجک سمت، حکمت عملی کا اندازہ لگانے اور اپنے مقاصد کے حصول کے لئے کھپتی کی کارکردگی کی گہرائی اور اس کے تحت کیے گئے اقدامات کے بنیادی مقصد فراہم کر کے کھپتی کے مقاصد کے حصول میں ایک ناقابل فرسوش کردار ادا کیا۔
- بورڈ نے اسٹریٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی حکام، پالیسی ڈویلپمنٹ، اور ایمپلائس سائٹ کی گہرائی اور منظوری میں فعال طور پر حصہ لیا ہے۔
- سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے ذریعہ کاروبار کی فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کھپتی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

- بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب حکام موجود ہے اور خود تفتیشی طریقہ کار اور ایمپلائس آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ کر حال کی جاتی ہے۔
- بورڈ نے مجلس نصاب کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نصاب کی رپورٹ کھپتی کی سہاہی اور سالانہ ایمپلائس سائٹ کے ساتھ شائع ہوئی اور مجلس نصاب کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔
- بورڈ نے چیف ایگزیکٹو آفیسر، ڈیپٹی چیف ایگزیکٹو آفیسر، کنٹرولنگ آفیسر اور ایمپلائس آڈٹ کے سربراہ کی ملازمت اور مضامین سازی کو یقینی بنایا ہے۔
- بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ بارے میں لہجہ باز خبر رکھا گیا ہے۔
- بورڈ نے کھپتی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے بیحد بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتاؤ میں تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے اور
- بورڈ اور اس کی ذیلی کمیٹی کی میٹنگ سے مناسب قبل از وقت، ضروری ایجنڈا اور اس سے متعلق دستاویزات بورڈ کو مہیا کیے گئے۔ تاہم ایگزیکٹو اور آڈٹ اور چیئر مین بورڈ کے اہم فیصلوں میں براہ راست شریک ہیں۔

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی گہرائی مہیا کرنے کی ضرورت تھی۔ بورڈ نے سالانہ رپورٹ میں اہم شعبوں کی تفصیلی، سائنسی، معاشی، ماحول اور سماجی سیاق و سباق جس میں کھپتی کام کرتی ہے، کھپتی کے کاروبار کو پیش نظر رکھا، بورڈ کے ممبران، مصلحت اور مصلحت مہیا کرنے کے لئے دستاویزات دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر یہ مناسب طور پر کہا جاسکتا ہے کہ PWML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کھپتی کے مقاصد کو صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے ارکان کی درجہ بندی اور گہرائی کے ذریعہ انتظامیہ میٹنگ کی مشن کو کوششوں کے ساتھ توفیق سے بھی آگے بڑھا جاسکتا ہے۔



ضمیر احمد امجدی شیخ
چیئر مین

لاہور 24 ستمبر 2020

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honour to present 29th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2020. Figures for the previous year ended June 30, 2019 are included for comparison.

Financial Results

The year under review has been a volatile and unusual year. COVID-19 global pandemic has disrupted businesses worldwide. Business confidence plummeted on the back of major supply chain disruptions and falling consumer demand. Our company endured these challenging times where we faced compulsory closure of mills, cancellation of sales orders, disruption in supply chain, steep exchange rate volatility and the constant threat of the spread of the virus. Alhamdulillah, despite all odds your Company has earned after tax profit of Rs.154,755,294 or 2.57% of sales compared to Rs.210,034,441 or 2.95% of sales during the same period of last year (SPLY). Earning per share (EPS) for the year is Rs.8.37 compared to Rs. 11.37 for the SPLY.

Sales revenue for the year is Rs. 6,018,541,231 compared to Rs.7,112,276,334 showing decrease of 15.38% over the SPLY. Reduction in sales is mainly because of lower number of looms working as compared to last year and mills closure for few days during lock down period. Cost of sales increased from 90.06% of sales during the SPLY to 91.20% of sales during the period under review. Percentage increase in cost of sales is mainly due to sales drop. The said factors have reduced overall gross profit margin by 25.08% from the last year.

The Company has been able to generate stable cash flows and made timely discharge of its operating and financial liabilities. Finance Cost decreased from 2.55% of sales during the SPLY to 1.97% during the period under review. The decrease is mainly due to reduction in Kibor rates and conversion of our long-term debt into concessional LTFF loans.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2020-21, Kapas, (seed cotton) arrivals upto September 15, 2020, at the Ginneries totaled 1.035 million bales compared to 1.852 million bales for the year 2019-20 showing decrease in arrival of 44.12%.

Capital Assets Investment

During the year under review, in line with strategic plans for achieving energy efficiency in power generation and enhancing weaving quality and efficiency, your Company has invested Rs.136,288,918 (2019: Rs. 194,540,571) in the Expansion, Balancing, Modernization and Replacement (BMR) of building, plant and machinery and related assets. Another 36 new weaving machines would be added and are expected to start production by the start of second quarter.

Future Prospects and Outlook

Year under review has been a satisfactorily profitable year. However, the global business outlook is still challenged due to COVID-19. The markets are fearful of a second wave of the disease. In order to improve the market sentiment, the Governments all over the world are injecting liquidity and encouraging businesses to open up. It is hoped that a suitable vaccine shall be available soon so that the threat of COVID-19 second wave is eliminated. The combination of government efforts and the reduction in new cases is likely to create demand. The impact of Trade war between China and USA must be watched carefully as companies in the western world may diversify their sources of supply away from China and create demand in Pakistani textile products. Demand in local market is quite encouraging as the value-added sector comprising towels, home furnishings, denim and knitwear are reporting healthy export demand. Currently local sales are depicting higher profit margins compared to exports. However, we hope that with global markets re-opening the export demand will surge. The State Bank of Pakistan and the government has been very proactive to handle the COVID-19 related challenges. Measures like enhancement of liquidity, deferment of principal payments, refinancing of wages and salaries, providing low interest loans for investment and reducing the policy rate to 7% have helped textile industry in general. Therefore, Management is optimistic that the financial year 2020-21 would remain reasonably profitable.

Exchange rate parity between USD and PKR remained volatile and we witnessed almost 6.50%-rupee devaluation during the year under review. Government has promised to provide fixed price gas and power tariff to the textile industry. This will help in effective cost management and maintaining competitiveness. Internationally competitive energy prices are essential to increase exports.

In this testing time of pandemic, we must appreciate the role of SBP. They have taken very timely relief measures for the business community.

In a recent development, Honourable Supreme Court has issued an order with regard to long outstanding issue of GIDC. By virtue of the order industrial gas users are required to pay arrears of GIDC amount in instalments. This will negatively impact the cash flows of the company. Higher prevailing inflation in the country is causing surge in costs. This may result in some reduction in margins.

It is hoped that the Government would bring in business friendly policies such as uninterrupted energy supplies in cost effective manner, refund of outstanding sales tax and income tax so that stretched corporate cash flows can be eased out. Government policies should encourage the completion of the value chain in the textile sector so that the country can export finished products.

Dividend

Our company has opted for one-year loan deferments under SBP scheme. Under banks approval terms we cannot pay dividend for the year under review. Therefore, in this year we shall conserve our reserves with the hope for better pay-outs in future.

Principal Activity

The principal activity of the Company is manufacturing and sale of woven cloth.

Principal Risks and Uncertainties

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

The Company's principal financial liabilities, comprise long term finances, trade and other payables and short-term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arise directly from its operations.

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

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Material Changes and Commitments

No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

ISO 9001: 2015 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification valid until May 19, 2021. The quality control certification helps to build up trust of new and old customers.

Corporate Social Responsibility (CSR)

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. In line with our CSR policy, management helped in developing a school in the factory site to impart preliminary level education for children of factory workers as well as for the nearby community.

Environment, Health and Safety

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

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

Internal Financial Controls

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

Related Parties

All related party transactions during the financial year ended June 30, 2020 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved the Board of Directors.

Shareholding Pattern

The shareholding pattern as at June 30, 2020 for ordinary shares is annexed.

Appointment of Auditors

Messrs Deloitte Yousuf Adil, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as Auditors for the financial year 2020-21. The Audit Committee has recommended for re-appointment of present Auditors.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Deloitte Yousaf Adil, Chartered Accountants, the statutory external auditors of the Company.

Corporate Governance & Financial Reporting Framework

Further, Directors are pleased to report that:

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

- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2020 except for those disclosed in the financial statements.

Composition of Board

Total number of Directors:

- a) Male: 9 (Nine)
b) Female: 1 (One)

Composition:

- (i) Independent Directors: 3 (Three)
(ii) Other Non-executive Directors 6 (Six)
(iii) Executive Director 1 (One)

Name of Directors

Mr. Shahzada Ellahi Shaikh	Chairman
Ms. Parveen Akhter Malik	
Mr. Arfa Waheed Malik	
Mr. Aneeq Khawar	
Mr. Javaid Bashir Sheikh	
Mr. Shaukat Ellahi Shaikh	
Mr. Shafqat Ellahi Shaikh	
Mr. Amin Ellahi Shaikh	
Mr. Haroon Shahzada Ellahi Shaikh	
Mr. Raza Ellahi Shaikh	Director / Chief Executive Officer

Committees of the Board:

The Board has made following sub-committees:

Audit Committee

Ms. Parveen Akhter Malik	Chairperson
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

Human Resource and Remuneration (HR&R) Committee

Ms. Parveen Akhter Malik	Chairperson
Mr. Raza Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member

Executive Committee

Mr. Raza Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

Significant Features of Directors' Remuneration

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

The Chairman of the Board is paid remuneration as approved by the Board. Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee. For information on remuneration of Directors and CEO in 2019-20, please refer notes to the Financial Statements.

Acknowledgment

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



Amin Ellahi Shaikh
Director

Lahore: September 24, 2020



Haroon Shahzada Ellahi Shaikh
Director

ممبران کے لئے مجلس نظام کی رپورٹ

مجلس نظام 30 جون 2020 کو اختتام سال کے لئے مکتبی کی 29 ویں سالانہ رپورٹ منظور کرنی شدہ مالیاتی حسابات اور اس پر حساب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔ 30 جون 2019 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

مالیاتی نتائج

زیر جائزہ سال ایک غیر متعمد سال تھا۔ COVID-19 عالمی وبائی بیماری نے دنیا بھر کے کاروباروں پر زبردستی طرح سے اثر ڈالا ہے۔ انہم چیلنجی مہینوں میں رکاوٹوں اور سرانجامین کی طلب میں کمی کے نتیجے میں کاروباری اعداد و کم ہو گیا۔ ہماری مکتبی نے ان مشکل حالات کا سامنا کیا جہاں ہمیں ملوں کی لازمی بندش، ریل آرڈرز کی منسوخی، چیلنجی مہینوں میں عمل، زبردہاوں کی شرح میں تیزی سے اضافہ اور وائرس کے پھیلاؤ کے مستقل خطرہ کا سامنا کرنا پڑا۔ الحمد للہ تمام مشکلات کے باوجود آپ کی مکتبی نے گزشتہ سال کی اسی مدت (SPLY) کے دوران 210,034,441 روپے یا فروخت 2,956 لاکھ کے مقابلے 154,755,294 روپے یا فروخت 2,57 لاکھ کا بعد از نیکس نتائج درج کیا ہے۔ فی ممبر آمدنی (EPS) گزشتہ سال کی اسی مدت کے دوران 11.37 روپے کے مقابلے اس سال 8.37 روپے ہے۔

فروخت کی آمدنی گزشتہ سال کی 7,112,276,334 روپے کے مقابلے اس سال 6,018,541,231 روپے ہے جو گزشتہ سال کی اسی مدت سے 15.38 فیصد کمی ظاہر کر رہی ہے۔ گزشتہ سال کے مقابلے اور تکب کی تعداد میں کمی اور لاکھ 19 ارب 11 کروڑ کے دوران چھوڑوں تک ملوں کی بندش کی وجہ سے فروخت میں کمی ہوئی ہے۔ گزشتہ سال کی اسی مدت کے دوران فروخت کی لاکھ 90,06 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کی 91.20 فیصد تک ہوئی۔ فیصد کی بنیاد پر فروخت کی لاکھ میں اضافہ فروخت میں کمی کی وجہ سے ہوا ہے۔ مذکورہ عناصر سے مجموعی نتائج جات گزشتہ سال سے 25.08 فیصد کم ہو گیا۔

مکتبی متعمد بنانا چاہتا ہے اور مالی ادا لگیاں بروقت ادا کرنے میں کامیاب رہی۔ مالی اگست گزشتہ سال کی اسی مدت کی فروخت کی 55.55 فیصد سے کم ہو کر زیر جائزہ سال کے دوران فروخت کی 1.97 لاکھ تک کم ہوئی۔ یہ کی Kibor کی شرح میں کمی اور طویل مدتی قرضوں کی رعایتی LTFB قرضوں میں تبدیلی کی وجہ سے ہوئی۔

پاکستان کا بین بنیاد 13 ہجری 1403ھ کی طرف سے فصل سال 2020-21 کے لئے جاری کردہ اعداد و شمار کے مطابق 15 ستمبر 2020 تک جزیر میں کپاس (پانچ کپاس) کی پختی سال 2019-20 کی کل 1.852 ملین ٹانوں کے مقابلے 1.035 ملین ٹانوں میں ہو گئی جو کہ 44.12 فیصد کمی ظاہر کر رہی ہے۔

طویل مدتی اثاثوں کی سرمایہ کاری

زیر جائزہ سال کے دوران آپ کی مکتبی نے سستی نقلی پیدا کرنے کے حصول اور درج تک کی کو اعلیٰ اور صلاحیت کو بہتر بنانے کے لئے سترہ ٹیک مصنویوں کے مطابق عمارت، پلانٹ مشینری اور معلقہ دیگر اثاثوں کی توسیع، تواتر، جدت، تبدیلی (BMR) کے لئے 136,288,913 روپے (2019-2020 194,540,571 روپے) کی سرمایہ کاری کی ہے۔ مزید 36 نئی ٹیگ مشینوں کا اضافہ کیا جائے گا اور دوسری سرمایہ کاری کے آغاز تک پیداوار شروع ہونے کی توقع ہے۔

مستقبل کے امکانات اور نظر

زیر جائزہ سال موزوں نتائج بخشنے میں رہا ہے۔ COVID-19 کی وجہ سے عالمی کاروباری نظر نظر اب بھی غیر یقینی ہے۔ مارکیٹ واپسی دوسری لہر سے خوف زدہ ہے۔ مارکیٹ کے حالات کو بہتر بنانے کے لئے، چوری دنیا کی حکومتیں سرمایہ کاری میں اور کاروبار کو کھولنے کے لئے کاروباروں کی حوصلہ افزائی کر رہی ہیں۔ امید کی جاتی ہے کہ موزوں ویکسین جلد ہی دستیاب ہو جائے گی تاکہ COVID-19 کی دوسری لہر کا ختم ہو جائے۔ حکومت کی کوششوں اور سہولتوں میں کمی کے باعث مجموعی طور پر طلب میں اضافہ کا امکان ہے۔ چین اور امریکہ کے درمیان تجارتی جنگ کے اثرات کی احتیاط سے نگرانی کی جانی چاہئے کیونکہ مغربی دنیا میں کینیڈا اپنے سہاؤ کے ذرائع چین سے تبدیل کر لیں گی اور پاکستانی ٹیکسٹائل مصنوعات میں طلب پیدا کر سکتی ہیں۔ مقامی مارکیٹ میں طلب حوصلہ افزاء ہے کیونکہ قریب، عدم فریکٹ، ڈائمن اور نیٹ ویئر پر مشتمل ویلیو ایڈڈ مشینوں میں مستند برآمدی طلب ظاہر کر رہی ہے۔ فی الحال مقامی فروخت برآمدات کے سوا زخم میں زیادہ نتائج ظاہر کر رہی ہے۔ تاہم ہمیں توقع ہے کہ عالمی مارکیٹیں دوبارہ کھلنے سے برآمدی طلب بڑھ جائے گی۔ ایشیا ٹیک آف پاکستان اور حکومت COVID-19 سے متعلقہ مشکلات پر قابو پانے کے لئے بہت فعال رہے ہیں۔ سرمایہ کو بڑھانے، اصل اثاثوں کو متاثر کرنے، ہجرتوں اور محکموں کی رہنمائی، سرمایہ کاری کے لئے کم شرح پر قرضوں کی فراہمی اور پالیسی شرح 7% تک کم کرنے جیسے اقدامات نے ٹیکسٹائل صنعت کی مدد کی ہے۔ اس لئے اختتامیہ ریسید ہے کہ مالی سال 2020-21 مستقبل حد تک نتائج بخش سال رہے گا۔

امریکی ڈالر اور پاکستانی روپے کے درمیان شرح تبادلہ غیر متعمد رہی اور زیر جائزہ سال کے دوران ہم نے قدر میں تقریباً 6.50 فیصد کمی دیکھی۔ حکومت نے بلکٹ کل صنعت کو مخصوص زخموں پر ٹیکس اور بجلی کی فراہمی کا وعدہ کیا ہے۔ اس سے لاگت کے موثر انتظام اور مسابقت کو برقرار رکھنے میں مدد ملے گی۔ برآمدات میں اضافے کے لئے توانائی کی بین الاقوامی مسابقتی قیمتیں ضروری ہیں۔

وبائی مرض کے اس آرمائشی حالات میں ہمیں ایشیا ٹیک کے کردار کی بھی تعریف کرنی چاہئے۔ اس نے 30 ہجری اور ہی کے لئے بروقت امدادی اقدامات اٹھائے ہیں۔

ایک حالیہ پیشرفت میں، سموزیپہ لم کورٹ نے GIDC کے طویل عرصے سے غیر مل شدہ جوارح کے سلسلے میں ایک ٹھم جادی کیا ہے۔ حکم کی بناء پر صنعتی گیس کے صارفین کو GIDC کی ڈی آر ایم اقدامات میں ادا کرنا ضروری ہے۔ اس سے کھیتی کے نظریہ پر مبنی اثر پڑے گا۔ ملک میں موجود اعلیٰ افراد زر اخراجات میں اضافے کا سوپ بن رہا ہے۔ اس کے نتیجے میں منافع چاہت میں کچھ کمی واقع ہو سکتی ہے۔

یہ ایسے کی چاہتی ہے کہ حکومت کا وہ بار میں موثر لاکھ ڈال کٹی جلا قتل ڈانڈی کی فراہمی، جلا سیکرنگس اور آگنگس کی واپسی جیسی دوستانہ پالیسیاں لانے کی تاکہ کاروبار کے نقدی براف کے تناؤ کو کم کیا جاسکے۔ حکومتی پالیسیاں ٹیکسٹائل شعبہ میں دلچسپی کی مکمل ترسیل فرما، جوئی چاہئیں تاکہ ملک تیار مصنوعات برآمد کر سکے۔

منافع مختصر

ہماری کمپنی نے اسٹیٹ بینک انجیم کے تحت ایک سال کے قرض کا اہل حاصل کیا ہے۔ چنگوں کی منظوری شرانکا کے تحت ہم زبر جائزہ سال کے لئے منافع ادا نہیں کر سکتے ہیں۔ لہذا اس سال میں ہم مستحیل میں بہتر وسیلوں کی امید کے ساتھ اپنے ذخائر محفوظ کریں گے۔

نمایاں سرگرمی

کمپنی کی نمایاں سرگرمی نے ہونے پزیرے کی تیاری اور فروخت کرنا ہے۔

نمایاں خطرات اور غیر یقینی حالات

یورپ آف ڈائریکٹرز کمپنی کے آپریشنز کی نگرانی اور خطرات کے کسی تکلیفی اثر کے سدباب کے لئے سوشل سیکورٹی عملی وضع کرنے کے قیودار ہیں۔

کمپنی کی اصل مالی ادا نکلیوں میں طویل مدتی قرضے، تجارتی اور دیگر قابل ادا نکلیوں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی ادا نکلیوں کا اہم مقصد کمپنی کے آپریشنز کے لئے قرضوں کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی اثاثوں میں تجارتی وصولیاں، بینکاری ادا نکلیاں، مختصر مدتی لیا جائزوں، دیگر وصولیاں اور نقدی اور بینک بیلنسز شامل ہیں جو اس کے آپریشنز سے براہ راست حاصل ہوتے ہیں۔

کمپنی کی سرگرمیوں کو کئی قسم کے مالیاتی خطرات کا سامنا ہے۔ جس میں مارکیٹ خطرہ (بشمول کرنی خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور نقدی براف کا خطرہ شامل ہے۔

کمپنی کا مجموعی رسک منجمنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقعات پر توجہ مرکوز اور مالی کارکردگی پر عملہ عملی اثرات کو کم کرنے کی کوشش کرتا ہے۔

اہم تہہ طیلیاں اور معاہدات

اس بیلنس شیٹ سے مختلف مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان، کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم مخفی تہہ طیلیاں اور معاہدات رونما نہیں ہوئے۔

ISO 9001:2015 سرٹیفیکیشن

کمپنی کو ایسی کے اعلیٰ معیارات پر کام سرانجام دہتی ہے اور کمپنی نے 19 مئی 2021 تک کارآمد سرٹیفیکیشن کے حامل ورژن حاصل کر رکھے ہیں۔ کو ایسی کنٹرول سرٹیفیکیشن سے اور پرانے کنٹرول کے اختتام کو فروغ دینے میں مدد کرتی ہے۔

کاروباری سماجی ذمہ داری

کمپنی اپنے کاروبار میں کاروباری سماجی ذمہ داری کے انتظام پر پختہ یقین رکھتی ہے اور وہ کیونکر بہتر بنانے کا رویہ سے براہ راست جلا واسطہ طور پر متاثر کر رہی ہیں ان کی ترقی کے لئے مسلسل کوشاں ہیں۔ ہماری ایس آر پی ایس کے مطابق، انتظامیہ نے تعلیمی اور کراؤرز اور نئے کی کیونٹی کے بچوں کی ابتدائی سطح کی تعلیم کے لئے تعلیمی سماعت میں سکول کو ترقی دینے میں مدد کی ہے۔

ماحول صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کو درپیش خطرات سے بچانے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنے تمام انتظامات میں محفوظ ماحول کو برقرار رکھا ہے اور مطمئن ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔

مشیرین اور ساتھ میں پلانٹ پر کام کرنے والے ملازمین کا تحفظ ایک تشویش کی بات ہے۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کے دیگر آلات کمپنی کی سائٹس کے ساتھ ساتھ ان کے رجسٹرڈ اور مرکزی دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ تفتیش کی جاتی ہیں۔

اندرونی مالیاتی کنٹرول

یورپ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک نظام قائم اور نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے ساتھ ساتھ آپریشنل مؤثرگی اور کارکردگی کے حصول، قابل و متاد مالیاتی رپورٹنگ اور قوانین، قواعد و ضوابط اور پالیسیوں کی تعمیل کو یقینی بنانے کے لئے ڈیزائن میں مشتمل ہے۔

متعلقہ پارٹیاں

30 جون 2020 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ مل کر دین کا آڈٹ سمیٹی نے چائزہ لیا اور بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ مل کر دین بورڈ آف ڈائریکٹرز سے منظور شدہ پیشگی قیمتوں کے مطابق تھے۔

عمومہ حصص داری

30 جون 2020 کے مطابق عام شیئرز کے لئے نمونہ حصص داری منسلک کیا گیا ہے۔

آڈیٹرز کی تقرری

ریجنز ہونے والے سمسرز Deloitte پوسٹ ماڈل، چارٹرڈ اکاؤنٹنٹس، لاہور نے اہل ہونے کی بناء پر مالی سال 2020-21 کے لئے بحیثیت آڈیٹرز دوبارہ تقرری کے لئے اپنے آپ کو پیش کیا ہے۔ آڈٹ کمیٹی نے موجودہ آڈیٹرز کی دوبارہ تقرری کی منظوری دے دی ہے۔

مالیاتی حسابات کا آڈٹ

کمیٹی نے مالی حسابات، کمیٹی کے قانونی ایکسٹرنل آڈیٹرز سمسرز Deloitte پوسٹ ماڈل، چارٹرڈ اکاؤنٹنٹس کی طرف سے کسی کو انٹرنیشنل کے بغیر تھرو چالی شدہ ہیں۔

کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید ڈائریکٹرز کو خوشی بیان کرتے ہیں کہ:

- کمیٹی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات میں کمیٹی کے امور، نقدی بہاؤ اور سرمائے میں تبدیلیوں کو مضائقہ طور پر ظاہر کرتے ہیں۔
- کمیٹی کے کام و بات بالکل صحیح طور سے ہائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تحدیدات مناسب اور آئیندہ نتائج حاصل کرنے میں ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو ہونے والی قانونی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے اور کسی بھی اعراف کا مزید انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا پیمانہ مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمیٹی کے درمیان وہاں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ پندرہ سالوں کا گنبدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس، ڈیویڈنڈ، لیون اور چارجز کی مدد میں کوئی قانونی اور ایجنسی راجب الاوائٹس ہے جو 30 جون 2020 کو چھاپا ہوا اسوائے ان کے جو مالی حسابات میں ظاہر کر دیئے گئے ہیں۔

بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

(a) مرد (7)

(b) خاتون (ایک)

ترتیب:

i۔ آرزو ایگزیکٹوز (تین)

ii۔ دیگر تین ایگزیکٹوز (تین)

iii۔ دیگر تین ایگزیکٹوز (ایک)

ڈائریکٹرز کے نام

جناب شہزادہ انیس شیخ

محترمہ بی بی مین اختر ملک

جناب اربح علی ملک

جناب بشق طاہر

جناب چوہدری بشیر شیخ

جناب شہزاد انیس شیخ

جناب شفقت انیس شیخ

جناب امین انیس شیخ

جناب ارشد شہزادہ انیس شیخ

جناب رضا انیس شیخ ڈائریکٹر ایگزیکٹوز ایگزیکٹوز

بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز نے متعدد ذیل کمیٹیاں تشکیل دی ہیں:

• آڈٹ کمیٹی

محترم پروین اختر ملک	چیئر پرسن
جناب امین الہی شیخ	رکن
جناب پارون شہزادہ الہی شیخ	رکن

• ہیومن ریسورس اینڈ ریکرٹمنٹ (HR&R) کمیٹی

محترم پروین اختر ملک	چیئر پرسن
جناب رضوان الہی شیخ	رکن
جناب امین الہی شیخ	رکن

• ایگزیکٹو کمیٹی

جناب رضوان الہی شیخ	چیئر پرسن
جناب شہزادہ الہی شیخ	رکن
جناب امین الہی شیخ	رکن
جناب پارون شہزادہ الہی شیخ	رکن

ڈائریکٹرز کے معاہدہ کی نمایاں خصوصیات

بورڈ آف ڈائریکٹرز نے کمپنی کے امور میں ان کی ذمہ داری پر منحصر ایگزیکٹو اور جان ایگزیکٹو ڈائریکٹرز کے معاہدے کے لئے ریکی پالیسی کی منظوری دی ہے۔ معاہدہ کامیابی سے کمپنی کو منظم طریقے سے چلانے کے لئے ان کی ذمہ داری اور ضروری ہدایت اور ان سے ملنے والے پیمانے کو حاصل کرنے کی سطح کے مطابق ہے۔

بورڈ کے چیئر پرسن کو بورڈ سے تصدیق شدہ معاہدہ ادا کیا جاتا ہے۔ آڈٹ ڈائریکٹرز سمیت جان ایگزیکٹو ڈائریکٹرز فقط بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی نمونے کے اہل ہیں۔ ایگزیکٹو اور جان ایگزیکٹو ڈائریکٹرز کے معاہدے ہیومن ریسورس اینڈ ریکرٹمنٹ کمیٹی کی سفارشات پر بورڈ کی طرف سے منظور کیا گیا ہے۔

انٹرا افیکٹ

کمپنی کے عملے اور کارکنوں کی مسلسل بہت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمیٹی کی مسلسل حمایت پر تکرار اور دیگر حصہ داروں کا اچھی شکر ادا کرتے ہیں۔

منجانب بورڈ


پارون شہزادہ الہی شیخ
ڈائریکٹر


امین الہی شیخ
ڈائریکٹر

لاہور: 24 ستمبر 2020ء

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Prosperity Weaving Mills Limited

Year ended: June 30, 2020

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

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

- a) Male: Nine
- b) Female: One

2. The composition of the Board of Directors is as follows:

Category	Names
i. Independent Director	Ms. Parveen Akhter Malik Mr. Arfa Waheed Malik Mr. Aneeq Khawar
ii. Non-Executive Directors	Mr. Shahzada Ellahi Shaikh Mr. Javaid Bashir Sheikh Mr. Shaukat Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh
iii. Executive Directors	Mr. Raza Ellahi Shaikh
iv. Female directors	Ms. Parveen Akhter Malik

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regards to their Directors' Training Program (DTP). Out of total ten directors, eight directors have obtained certification under DTP.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:-
- a. Audit Committee**
- Ms. Parveen Akhter Malik, Chairperson
Mr. Amin Ellahi Shaikh, Member
Mr. Haroon Shahzada Ellahi Shaikh, Member
- b. Human Resource and Remuneration (HR & R) Committee**
- Ms. Parveen Akhter Malik, Chairperson
Mr. Raza Ellahi Shaikh, Member
Mr. Amin Ellahi Shaikh, Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
- a) Audit Committee: Four quarterly meetings were held during the financial year ended June 30, 2020.
- b) HR and Remuneration Committee: One meeting was held during the financial year ended June 30, 2020.
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Explanation as required under the Regulations is mentioned below:

The Company has three independent directors out of ten directors. Fractional requirement for Independent directors have not been rounded up as all independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements; therefore, not warrant the appointment of a fourth independent director.

on behalf of the Board


Amin Ellahi Shaikh
Director


Shahzada Ellahi Shaikh
Chairman

Lahore: September 24, 2020

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 29th Annual General Meeting of members of PROSPERITY WEAVING MILLS LTD. will be held on **Monday, October 26, 2020** at 11:00 a.m., electronically through video-link facility (Zoom App.), managed from registered office of the Company.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2020, the Company has 525 Shareholders.

Web Reference

The Company maintains a functional website. Annual, half-yearly and quarterly reports are regularly posted at the Company's website: <http://www.nagina.com>

Book Closure

The register of the members and shares transfer books of the Company will remain closed from Tuesday, October 20, 2020 to Monday, October 26, 2020 (both days inclusive).

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the following particulars directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS):

Detail of Bank Mandate	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) " Mandatory "	PK _____ (24 digits) (kindly provide you accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the Shareholder

Requirement of CNIC Number / National Tax Number (NTN) Certificate.

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide its Notification SRO 275(I)/2016 dated March 31, 2016 read with Notification SRO 19(I)/2014 dated January 10, 2014 and Notification SRO 831(I)/2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,
1st Floor, H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

Zakat Declaration (Form CZ-50)

The Shareholders claiming exemption from deduction of Zakat are advised to submit their Zakat Declaration Form CZ-50 under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund Rules), 1981 to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. The Shareholders while sending the Zakat Declarations must quote company name and their respective Folio Nos and /or CDC A/c Nos.

Electronic Transmission of Audited Financial Statements and Notice of Annual General Meeting (Notice) Through E-Mail (Optional)

Pursuant to SECP notification S.R.O 787(I)/ 2014 dated September 8, 2014, members, who hold shares in physical form, may inform the Company or Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., and who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) may inform their CDC Participants / CDC Investor Account Services, to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form as given below:

**REQUEST FORM FOR ELECTRONIC TRANSMISSION OF
AUDITED FINANCIAL STATEMENTS AND NOTICE THROUGH E-MAIL**

In terms of SECP notification SRO 787(I)/2014 dated September 8, 2014, I,
_____ hereby give my consent for electronic transmission of Audited
Financial Statements and Notice through e-mail. My e-mail address is _____.

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the
Company shall be considered compliant with relevant requirements of sections 55, 132 and 223(6) of the
Companies Act, 2017.

It is stated that the above mentioned e-mail address is correct, that I will intimate the changes in the above
mentioned e-mail address to the Company and the Share Registrar as soon as these occur.

Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,
Prosperity Weaving Mills Ltd., Nagina House,
91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.
e-mail address: mohsin.gilani@nagina.com

or

M/s. Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House, 7-Bank Square, Lahore.
e-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary
Email: mohsin.gilani@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares & Dividend

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed
Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore for collection of their unclaimed
shares / unpaid dividend which they have not received due to any reasons.

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020
CUIN (INCORPORATION NUMBER) 0025740**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
186	1	100	3,346
132	101	500	42,226
57	501	1,000	51,229
93	1,001	5,000	250,276
23	5,001	10,000	175,847
9	10,001	15,000	121,910
2	15,001	20,000	38,300
3	20,001	25,000	68,670
1	25,001	30,000	28,225
-	30,001	50,000	-
3	50,001	55,000	153,626
1	55,001	60,000	58,043
-	60,001	80,000	-
2	80,001	85,000	167,091
-	85,001	110,000	-
1	110,001	115,000	110,500
-	115,001	205,000	-
1	205,001	210,000	206,000
-	210,001	345,000	-
1	345,001	350,000	348,000
-	350,001	560,000	-
1	560,001	565,000	562,500
-	565,001	695,000	-
1	695,001	700,000	700,000
1	700,001	705,000	700,500
-	705,001	1,395,000	-
2	1,395,001	1,400,000	2,800,000
-	1,400,001	1,675,000	-
1	1,675,001	1,680,000	1,678,242
-	1,680,001	2,120,000	-
2	2,120,001	2,125,000	4,240,315
-	2,125,001	2,135,000	-
1	2,135,001	2,140,000	2,138,646
-	2,140,001	3,745,000	-
1	3,745,001	3,750,000	3,747,415
			89,093
525	Total:-		18,480,000

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020**

Sr #	Categories of Shareholders	Shares Held	Percentage
1)	Directors, Chief Executive Officer, and their Spouse and Minor Children		
i)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
iv)	MR. RAZA ELLAHI SHAIKH	1,400,000	7.58
v)	MR. AMIN ELLAHI SHAIKH	1,400,000	7.58
vi)	MR. HAROON SHAHZADA ELLAHI SHAIKH	700,500	3.79
vii)	MS. PARVEEN AKHTAR MALIK	500	0.00
viii)	MR. ANEEQ KHAWAR	500	0.00
ix)	MR. ARFA WAHEED MALIK	500	0.00
x)	MR. JAVAID BASHIR SHEIKH	500	0.00
xi)	MRS. MEHREEN SAADAT	19,300	0.10
xii)	MRS. HUMERA SHAHZADA ELLAHI SHEIKH	2,934	0.02
xiii)	MRS. MONA SHAUKAT SHAIKH	2,934	0.02
xiv)	MRS. SHAISTA SHAFQAT SHAIKH	2,934	0.02
		9,909,563	53.62
2)	Associated Companies, Undertakings and Related Parties		
i)	ELLAHI INTERNATIONAL (PVT) LIMITED	3,747,415	20.28
ii)	ARH (PVT) LIMITED	1,678,242	9.08
iii)	HAROON OMER (PVT) LIMIED	50,857	0.28
iv)	MONELL (PVT) LIMITED	51,907	0.28
v)	ICARO (PVT) LIMITED	50,862	0.28
		5,579,283	30.20
3)	NIT and ICP	Nil	Nil
4)	Banks, Development Finance Institutions, Non Banking Finance Institutions		
i)	ESCORTS INVESTMENT BANK LIMITED	1	0.00
ii)	IDBL (ICP UNIT)	69	0.00
iii)	NATIONAL BANK OF PAKISTAN INVESTAR A/C (FORMER NDFC)	3,800	0.02
		3,870	0.02
5)	Insurance Companies	Nil	Nil
6)	Modarabas and Mutual Funds		
i)	CDC - TRUSTEE GOLDEN ARROW STOCK FUND	84,591	0.46
		84,591	0.46
7)	Shareholders Holding 10% or more		
i)	ELLAHI INTERNATIONAL (PVT) LIMITED	3,747,415	20.28
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
iv)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
8)	General Public		
a.	Local	2,552,931	13.81
b.	Foreign	-	-
9)	Others (Joint Stock Companies)	349,762	1.90

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 8,415,000 ordinary shares of M/s. Prosperity Weaving Mills Ltd., among its members, out of which 89,093 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2020	2019	2018	2017 (restated)	2016 (restated)	2015
Sales	Rs.'000	6,018,541	7,112,276	6,212,431	5,820,163	5,211,429	5,811,482
Gross profit	Rs.'000	529,557	706,784	355,552	303,179	359,653	318,755
Operating profit	Rs.'000	366,816	500,686	199,138	160,420	183,708	138,410
Profit / (loss) before tax	Rs.'000	247,968	319,179	54,697	58,496	72,362	31,188
Profit / (loss) after tax	Rs.'000	154,755	210,034	54,697	56,198	39,972	60,831
Share capital - paid up	Rs.'000	184,800	184,800	184,800	184,800	184,800	184,800
Shareholders' equity	Rs.'000	1,180,448	1,154,588	1,001,077	968,176	956,937	893,366
Total assets	Rs.'000	3,889,566	4,462,999	4,259,667	4,298,635	2,940,709	2,789,119
Earning per share - pre tax	Rs.	13.42	17.27	2.96	3.17	3.92	1.69
Earnings per share - after tax	Rs.	8.37	11.37	2.96	3.04	2.16	3.29
Dividend per share	Rs.	-	4.00	2.00	2.00	1.75	1.50
Market value per share as on 30 June	Rs.	40.00	34.00	26.00	28.61	30.50	32.85
Gross profit to sales	%	8.80	9.94	5.72	5.21	6.90	5.48
Operating profit to sales	%	6.09	7.04	3.21	2.76	3.53	2.38
Profit / (loss) before tax to sales	%	4.12	4.49	0.88	1.01	1.39	0.54
Profit / (loss) after tax to sales	%	2.57	2.95	0.88	0.97	0.77	1.05
Current ratio		1.71:1	1.24:1	1.21:1	1.26:1	1.54:1	1.72:1
Total debt ratio	%	69.65	74.13	76.50	77.48	67.46	65.98
Debt equity ratio	%	57.89	59.17	62.93	65.26	57.10	58.90



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

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Rana Usman Khan

Lahore
Date: September 24, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Prosperity Weaving Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Prosperity Weaving Mills Limited (the Company) which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter(s):

Key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition The Company's sales comprise of revenue from the local and export sale of fabric which has been disclosed in note 28 to the financial statements.</p> <p>Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, revenue recognition criteria has been explained in note 3.15 to the financial statements.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control of the goods to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue; • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. on delivery of goods and after issue of gate passes for local sales and on shipment of goods for export sales). • Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents. • Evaluated the adequacy and appropriateness of disclosures made in the financial statements.

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

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

Deloitte Yousuf Adil
Chartered Accountants

Lahore

Date: September 24, 2020

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

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital	4	184,800,000	184,800,000
Reserves	5	892,807,599	866,947,761
Revaluation surplus on land		<u>102,840,634</u>	<u>102,840,634</u>
TOTAL EQUITY		1,180,448,233	1,154,588,395
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	6	1,532,463,585	1,401,669,107
Employee retirement benefits	7	131,777,782	113,846,651
Deferred grant	8	1,600,609	-
Deferred taxation	9	2,578,748	5,928,689
		<u>1,668,420,724</u>	<u>1,521,444,447</u>
CURRENT LIABILITIES			
Trade and other payables	10	553,599,248	446,059,871
Accrued interest / markup	11	25,774,267	43,411,088
Short term borrowings	12	366,998,931	1,020,731,819
Current portion of long term finances	6	86,081,234	271,872,149
Current portion of deferred grant	8	2,954,590	-
Unclaimed dividend		<u>5,289,251</u>	<u>4,890,794</u>
		<u>1,040,697,521</u>	<u>1,786,965,721</u>
TOTAL LIABILITIES		2,709,118,245	3,308,410,168
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		<u>3,889,566,478</u>	<u>4,462,998,563</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020

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

	Note	2020 Rupees	2019 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,092,871,933	2,194,488,854
Intangible assets	15	1,080,471	2,259,165
Long term deposits	16	15,039,000	15,039,000
Sales tax refund bonds	17	-	28,600,000
		2,108,991,404	2,240,387,019
CURRENT ASSETS			
Stores, spare parts and loose tools	18	55,171,197	67,841,093
Stock-in-trade	19	518,606,568	520,264,696
Trade receivables	20	587,479,860	911,859,937
Advances	21	7,685,037	14,748,553
Short term prepayments	22	2,502,764	2,036,980
Other receivables	23	3,507,783	7,777,222
Sales tax refundable	24	61,439,008	42,951,091
Other financial assets	25	473,158,143	444,623,369
Advance income tax - net	26	57,797,558	96,257,531
Cash and bank balances	27	13,227,156	114,251,072
		1,780,575,074	2,222,611,544
TOTAL ASSETS		3,889,566,478	4,462,998,563

The annexed notes from 1 to 47 form an integral part of these financial statements.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
Sales - net	28	6,018,541,231	7,112,276,334
Cost of sales	29	(5,488,984,350)	(6,405,492,704)
Gross profit		529,556,881	706,783,630
Distribution cost	30	(99,295,196)	(100,542,478)
Administrative expenses	31	(100,103,490)	(100,354,443)
Other operating expenses	32	(31,307,181)	(50,018,578)
		(230,705,867)	(250,915,499)
		298,851,014	455,868,131
Other income	33	67,964,527	44,817,620
Operating profit		366,815,541	500,685,751
Finance cost	34	(118,847,047)	(181,506,968)
Profit before taxation		247,968,494	319,178,783
Provision for taxation	35	(93,213,200)	(109,144,342)
Profit after taxation		154,755,294	210,034,441
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss:			
Remeasurement of post retirement benefits obligation	7.6	(2,164,131)	(1,139,720)
Related tax impact	9.1	857,894	837,341
Surplus on revaluation of land		-	47,276,000
Fair value loss on investment in equity instrument designated at FVTOCI	25.4	(53,669,219)	(66,536,279)
Other comprehensive loss		(54,975,456)	(19,562,658)
Total comprehensive income for the year		99,779,838	190,471,783
Earnings per share - basic and diluted	36	8.37	11.37

The annexed notes from 1 to 47 form an integral part of these financial statements.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020


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

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	1,008,463,039	447,258,668
Employee benefits paid		(14,661,568)	(17,341,974)
Finance cost paid		(136,483,868)	(173,155,796)
Income taxes paid		(57,245,274)	(35,980,817)
Net cash generated from operating activities		800,072,329	220,780,081
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(171,132,700)	(199,521,376)
Proceeds from disposal of property, plant and equipment	14.1.2	70,450,644	49,699,150
Purchase of other financial assets		(1,281,863,860)	(201,141,123)
Proceeds from sale of other financial assets		1,224,048,228	113,917,905
Dividend received	33	35,097,112	34,806,208
Net cash used in investing activities		(123,400,576)	(202,239,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		153,180,124	181,172,000
Repayment of long term finances		(203,621,362)	(207,194,323)
Short term borrowings excluding running finance		(122,804,582)	(50,000,000)
Dividend paid		(73,521,543)	(36,643,722)
Net cash used in financing activities		(246,767,363)	(112,666,045)
Net increase / (decrease) in cash and cash equivalents		429,904,390	(94,125,200)
Cash and cash equivalents at beginning of the year		(481,480,747)	(387,355,547)
Cash and cash equivalents at end of the year		(51,576,357)	(481,480,747)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	13,227,156	114,251,072
Running finance	12	(71,701)	(467,091,095)
Bank overdraft	12	(64,731,812)	(128,640,724)
		(51,576,357)	(481,480,747)

The annexed notes from 1 to 47 form an integral part of these financial statements.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020

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

	Issued, subscribed and paid up capital	Capital reserve			Revenue reserve	Total
		Amalgamation reserve	Revaluation surplus on land	Fair value reserve	Unappropriated profit	
----- Rupees -----						
Balance at June 30, 2018	184,800,000	16,600,000	55,564,634	15,740,345	728,371,633	1,001,076,612
Comprehensive income						
Profit after taxation	-	-	-	-	210,034,441	210,034,441
Other comprehensive income / (loss) - net of tax	-	-	47,276,000	(66,536,279)	(302,379)	(19,562,658)
Total comprehensive income / (loss) for the year	-	-	47,276,000	(66,536,279)	209,732,062	190,471,783
Transactions with owners						
Final dividend @ 20% i.e. Rs. 2 per share for the year ended June 30, 2018	-	-	-	-	(36,960,000)	(36,960,000)
Balance at June 30, 2019	184,800,000	16,600,000	102,840,634	(50,795,934)	901,143,695	1,154,588,395
Comprehensive income						
Profit after taxation	-	-	-	-	154,755,294	154,755,294
Other comprehensive loss - net of tax	-	-	-	(53,669,219)	(1,306,237)	(54,975,456)
Transfer of loss on disposal of equity investments at FVTOCI to unappropriated profit	-	-	-	17,262,426	(17,262,426)	-
Total comprehensive (loss) / income for the year	-	-	-	(36,406,793)	136,186,631	99,779,838
Transactions with owners						
Final dividend @ 40% i.e. Rs. 4 per share for the year ended June 30, 2019	-	-	-	-	(73,920,000)	(73,920,000)
Balance at June 30, 2020	184,800,000	16,600,000	102,840,634	(87,202,727)	963,410,326	1,180,448,233

The annexed notes from 1 to 47 form an integral part of these financial statements.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND OPERATIONS

- 1.1 Prosperity Weaving Mills Limited (the Company) was incorporated in Pakistan on November 20, 1991 as a public limited Company under the repealed Companies Ordinance, 1984 (Now Companies Act 2017) and listed on Pakistan Stock Exchange Limited on October, 17 1995. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The principal activity of the Company is manufacturing and sale of woven cloth. The manufacturing facility is located at 13.5 km Sharaqpur road, District Sheikhpura in the Province of Punjab.
- 1.2 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2 STATEMENT OF COMPLIANCE

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

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

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

2.1 STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.1.1 Amendments to published approved accounting standards that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretations with no significant impact	Effective from accounting period beginning on or after:
Amendments to IAS 28 'Investments in Associates and Joint Ventures' Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 14 'Regulatory deferral accounts.	July 01, 2019
Annual improvements to IFRS standards 2015-2017 cycle amendments to:	January 01, 2019

IFRS 3 Business Combinations;
 IFRS 11 Joint Arrangements;
 IAS 12 Income Taxes; and
 IAS 23 Borrowing Costs.
 IFRS 1 – First Time Adoption of International Financial Reporting Standards; and
 IFRS 17 – Insurance Contracts

2.1.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards or Interpretations that are not yet effective	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective date is deferred indefinitely earlier adoption is permitted.
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IAS 39, IFRS 7 and IFRS 9 – The amendments will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendment to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	June 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' regarding Classification of Liabilities as Current or Non-Current.	January 01, 2023
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' regarding the costs to include when assessing whether a contract is onerous.	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment', prohibiting a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use.	January 01, 2022
Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards.	January 01, 2020
Annual improvements to IFRS standards 2019-2020 cycle amendments to: IFRS 1 - First-time Adoption of International Financial Reporting IFRS 9 - Financial Instruments; IFRS 16 - Leases; and IAS 41 - Agriculture.	January 01, 2022

2.1.3 Adoption of new accounting standards

The following changes in standards have taken place effective from July 1, 2019:

Impact of initial application of IFRS 16 Leases

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases - Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor. Details of these new requirements and the impact of the adoption of IFRS 16 on the Company's financial statements are described below.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Company does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16
- b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

Financial impact of initial application of IFRS 16

The Company has used the practical expedient available under IFRS 16 for recognition exemption of short-term leases. IFRS 16 Leases defines a short-term lease as one that has a lease term of 12 months or less without any purchase options. IFRS 16 states that if a lessee applies the short-term lease recognition exemption, the lease payments associated with the relevant leases are expensed on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of the lessee's benefit. Therefore, the initial application of IFRS 16 has had no impact on any of the line item in the financial statements of the Company.

2.2 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going 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 revision and future periods, if the revision affects both current and future periods.

Significant areas requiring the use of management estimates in these financial statements relate to the revaluation of certain item of property, plant and equipment, useful life of depreciable assets, employee retirement benefits, impairment of financial assets and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:

- a) revaluation of land;
- b) financial instruments at fair value; and
- c) recognition of certain employee retirement benefits at present value.

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work-in-progress and stores held for capital expenditure are stated at cost. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date. When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred. Depreciation is charged to profit or loss account applying the reducing balance method over its estimated useful life at the rates specified in note 14.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Surplus arising on revaluation of land is recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity and is shown in equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the land does not differ materially from the fair value.

Gain or loss on disposal of property, plant and equipment, if any, is recognized in the profit or loss account for the year.

All costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.3 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and impairment in value. Intangible assets are amortized over a period of five years using straight line method. Amortization on additions during the year is charged from the month in which an asset is acquired or capitalized.

3.4 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at the cost, determined on moving weighted average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

3.5 STOCK-IN-TRADE

These are valued at the lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	Weighted average
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

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

3.6 IMPAIRMENT OF NON FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit or loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

3.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.7.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents and trade receivables at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at FVTOCI.

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company carries investments in self managed securities and mutual funds at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at FVTPL.

As at reporting date, the Company carries investments in securities and mutual funds classified at FVTPL.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or at FVTOCI, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables by using simplified approach. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 - month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- a) when there is a breach of financial covenants by the debtor; or
- b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Write-off Policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3.7.2 Financial liabilities

Subsequent measurement of financial liabilities

Financial liabilities that are not

- a) contingent consideration of an acquirer in a business combination,
- b) held for trading, or
- c) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.8 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a current legal enforceable right to set off the recognized amount and the Company also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.9 TRADE RECEIVABLES

Trade receivables and other receivables are initially recognized at fair value, which is usually the original invoiced amount and subsequently carried at amortized cost using the effective interest method less allowance for ECL.

3.10 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks, highly liquid other financial assets that are convertible to known amount of cash and are subject to insignificant risk of change in value and short term running finance under markup arrangement. Cash and bank are carried in the statement of financial position at cost.

3.11 TRADE AND OTHER PAYABLES

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

3.12 EMPLOYEE RETIREMENT BENEFITS

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

The amount recognized in the balance sheet represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried as at June 30, 2020.

Details of the schemes are given in note 7 to these financial statements.

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

3.13 PROVISIONS

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, 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 balance sheet date and adjusted to reflect the current best estimate.

3.14 REVENUE RECOGNITION

The Company is in the business of sale of goods. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer and the performance obligation is satisfied under the contract at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principle in its revenue arrangements because it typically controls the goods or services before transferring them to the customers.

a) Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

b) Export rebate is recognized on accrual basis at the time of making the export sales.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

3.15 GOVERNMENT GRANT

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all conditions of the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant. Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3.16 BORROWINGS

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

3.17 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its

Lease payments included in the measurement of the lease liability comprise:

- a) Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- b) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- c) The amount expected to be payable by the lessee under residual value guarantees;
- d) The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- e) Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- a) The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- b) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- c) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.18 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.19 TAXATION

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred taxation is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in that case it is included in equity.

3.20 FOREIGN CURRENCIES TRANSACTION AND TRANSLATION

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year.

	2020	2019
	Rupees	Rupees
	1,618,544,819	1,673,541,256
	86,081,234	271,872,149
	1,532,463,585	1,401,669,107

6 LONG TERM FINANCES

From banking companies - secured
Less: current portion

6.1 From banking companies - secured

----- Other terms and conditions -----

Name of institution	Original limit		Outstanding amount		Security	Arrangement, repayment and mark-up
	2020	2019	2020	2019		
			----- Rupees -----			
6.1.1 Askari Bank Limited (LTFF-I)	71,018,100	71,018,100	19,368,580	29,052,865	Joint pari passu hypothecation charge of Rs. 783.870 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs. 113 million out of which Rs. 71.02 million have been converted into LTFF scheme of SBP and Rs. 41.98 million remain as quarterly installments, with 18 months grace period, commenced from May 25, 2016. The loan carries mark-up at the rate of 6.50% (2019: 6.50%) per annum payable quarterly.
6.1.2 Askari Bank Limited (TF)	41,981,900	41,981,900	9,541,141	15,265,822	Same as 6.1.1	This facility has been obtained against a sanctioned limit of Rs. 113 million out of which Rs. 71.02 million have been converted into LTFF scheme of SBP and Rs. 41.98 million remain as quarterly installments, with 18 months grace period, commenced from February 12, 2016. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2019: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.3 Askari Bank Limited (LTFF-II)	291,666,430	291,666,430	182,291,517	209,635,245	Same as 6.1.1	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.67 million have been converted into LTFF scheme of SBP. The loan is repayable in 32 quarterly installments, with a 24 months grace period, commenced from June 5, 2017. The loan carries mark-up at the rate of 6.50% (2019: 6.50%) per annum payable quarterly.
6.1.4 Askari Bank Limited (LTFF-II)	93,333,570	93,333,570	55,416,758	64,166,771	Same as 6.1.1	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.67 million have been converted into LTFF scheme of SBP and Rs. 93.33 million remain as quarterly installments with 24 months grace period, commenced from February 12, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2019: 3 months KIBOR plus 1.00%) per annum payable quarterly.

Name of Institution	Original limit		Outstanding amount		Security	Arrangement, repayment and mark-up
	2020	2019	2020	2019		
	Rupees					
6.1.5 Askari Bank Limited (TF-II)	115,000,000	115,000,000	71,783,681	82,551,233	Same as 6.1.1	This facility has been obtained against a sanctioned limit of Rs. 115 million. The loan is repayable in 32 quarterly installments with 24 months grace period, commenced from May 27, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2019: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.6 Habib Bank Limited (TF)	90,298,592	90,298,592	8,208,972	20,522,415	Joint pari passu charge of Rs. 218.27 million on all present and future fixed assets of the Company excluding 109.70 million have been converted into LTFF power generation plant with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility has been obtained against a sanctioned limit of Rs. 200 million out of which Rs. 109.70 million have been converted into LTFF scheme of SBP and Rs. 90.30 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from April 7, 2015. The loan carries mark-up rate of 3 months KIBOR plus 1.35% (2019: 3 months KIBOR plus 1.35%) per annum payable quarterly.
6.1.7 Habib Bank Limited (LTFF)	322,772,452	322,772,452	73,357,377	117,371,802	Same as 6.1.6	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFF scheme of SBP. The loan is repayable in 22 quarterly installments with a 18 month grace period commenced from February 13, 2016. The loan carries mark-up at the rate of 8.00% (2018:8.00%) per annum payable quarterly.
6.1.8 Habib Bank Limited (TF)	27,227,548	27,227,548	6,188,076	9,900,924	Same as 6.1.6	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFF scheme of SBP and Rs. 27.23 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from February 13, 2016. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2019: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.9 United Bank Limited (LTFF)	187,931,622	187,931,622	129,202,992	146,821,581	Joint pari passu charge amounting to Rs. 1,096 million as equitable mortgage over fixed assets of company.	This facility has been obtained against sanctioned limit of Rs. 187.93 million converted into LTFF scheme of SBP. The loan is repayable in 32 quarterly installments commencing from November 10, 2017. The loan carries mark-up rate of 3.50% (2019: 3.50%) per annum payable quarterly.

Name of Institution	Original limit		Outstanding amount		Security	Arrangement, repayment and mark-up
	2020	2019	2020	2019		
	Rupees					
6.1.10 United Bank Limited (LTFF)	40,000,000	40,000,000	28,571,143	30,475,885	Same as 6.1.9	This facility has been obtained against sanctioned limit of Rs. 700 million out of which Rs. 30.47 million has been converted into LTFF on July 19, 2017. The loan is repayable in 32 equal quarterly installments commencing from October 19, 2019. The loan carries mark up at the rate of 2.50% (2019: 2.50%).
6.1.11 United Bank Limited (LTFF)	660,000,000	660,000,000	577,096,000	638,927,713	Same as 6.1.9	This facility has been obtained against sanctioned limit Rs. 700 million out of which Rs. 660 million has been converted into LTFF. The loan is repayable in 32 quarterly installments in arrears commencing from April 18, 2019. The loan carries mark up at the rate of 2.50% (2019: 2.50%).
6.1.12 Askari Bank Limited (LTFF-IV / TF-IV)	45,829,000	45,829,000	12,288,000	12,288,000	Same as 6.1.1	This facility has been obtained against sanctioned limit of Rs. 200 million. During the year, this facility has been converted from term finance to LTFF scheme of SBP. The loan is repayable in 32 quarterly installments in arrears commencing from August 02, 2021 with grace period of 24 months. The loan carries mark up at the rate of 2.50% (2019: 3 months KIBOR +0.75%).
6.1.12.1 Askari Bank Limited (LTFF-IV)	127,688,000	127,688,000	127,688,000	127,688,000	Same as 6.1.1	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from May 18, 2021 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.12.2 Askari Bank Limited (LTFF-IV)	3,296,000	3,296,000	3,296,000	3,296,000	Same as 6.1.1	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from October 4, 2020 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.12.3 Askari Bank Limited (LTFF-IV)	23,187,000	23,187,000	23,187,000	23,187,000	Same as 6.1.1	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from November 3, 2020 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.13 Allied Bank Limited (LTFF)	192,000,000	300,000,000	142,390,000	142,390,000	Joint pari passu charge of million inclusive of 25% margin over Fixed assets.	This facility has been obtained against sanctioned limit of Rs. 300 million. During the year, this facility has been converted from term finance to LTFF scheme of SBP. The loan is repayable in 32 quarterly installments in arrears commencing from September 27, 2021 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.

Name of Institution	Original limit		Outstanding amount		Security	Arrangement, repayment and mark-up
	2020	2019	2020	2019		
----- Rupees -----						
6.1.14 Allied Bank Limited (LTFF)	108,000,000	-	107,563,750	-	Same as 6.1.13	This facility has been obtained against sanctioned limit of Rs. 108 million. During the year, this facility has been converted from term finance to LTFF scheme of SBP. The loan is repayable in 32 quarterly installments in arrears commencing from July 21, 2022 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.15 Bank Al Falah(LTFF)	75,000,000	-	41,105,832	-	Joint Pari passu charge of Rs. 100 million inclusive of 25% margin over Fixed assets.	This facility has been obtained to finance payment of salaries and wages of workers and employees for the month of April, May and June 2020 against sanctioned limit of Rs. 75 million under SBP payroll finance scheme 2020. The loan is repayable in 08 quarterly installments in arrears, commencing from January 01, 2021 with grace period of 6 months. The fair value of this finance has determined using a discount rate of three months KIBOR plus 1.025% (9.17%) being the prevailing market rate of interest for similar instruments. The difference between the fair value and loan proceeds has been recognized as deferred grant (note 8).
			<u>1,618,544,819</u>	<u>1,673,541,256</u>		
6.2	These facilities carry effective mark-up rate ranging from 1.00% to 14.85% (2019: 2.50% to 13.45%) per annum.					
6.3	Rescheduling / Restructuring of long term finances					
The State Bank of Pakistan has provided regulatory relief through the BPRD circular letter No. 14 dated March 23, 2020. The Company has applied for the aforementioned relief and it was thereby granted the deferment of one year on principal installments due within the period from April 01, 2020 to March 31, 2021.						

7 EMPLOYEE RETIREMENT BENEFITS

7.1 The Company has a defined benefit plan comprising an un-funded gratuity scheme for its permanent employees. Latest valuation has been conducted as at June 30, 2020.

	2020 Rupees	2019 Rupees
Amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation as at June 30	<u>131,777,782</u>	<u>113,846,651</u>
7.2 Movement in liability:		
As at July 01	113,846,651	99,689,123
Charge for the year	30,428,568	30,359,782
Benefits paid during the year	(14,661,568)	(17,341,974)
Remeasurement changes chargeable to other comprehensive income	2,164,131	1,139,720
As at June 30	<u>131,777,782</u>	<u>113,846,651</u>
7.3 Movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at July 01	113,846,651	99,689,123
Current service cost	23,708,936	22,168,150
Interest cost	15,178,511	8,191,632
Benefits paid	(14,661,568)	(17,341,974)
Gains / losses arising on plan settlement	(8,458,879)	-
Remeasurements:		
Actuarial losses from changes in financial assumptions	6,894,332	2,256,058
Experience adjustments	(4,730,201)	(1,116,338)
Present value of defined benefit obligation as at June 30	<u>131,777,782</u>	<u>113,846,651</u>
7.4 Expense recognized in profit and loss account is as follows:		
Current service cost	23,708,936	22,168,150
Gains / losses arising on plan settlement	(8,458,879)	-
Interest cost	15,178,511	8,191,632
	<u>30,428,568</u>	<u>30,359,782</u>
7.5 Charge for the year has been allocated as follows:		
Cost of sales	27,680,750	21,572,670
Administrative expenses	2,747,819	8,787,112
	<u>30,428,569</u>	<u>30,359,782</u>
7.6 Total remeasurement chargeable to		
Remeasurement of defined benefit obligation:		
Actuarial losses from changes in financial assumptions	6,894,332	2,256,058
Experience adjustment	(4,730,201)	(1,116,338)
	<u>2,164,131</u>	<u>1,139,720</u>
7.7 Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:		
	2020	2019
Discount rate	8.50%	14.25%
Expected rate of salary increase	7.50%	12.25%
Average retirement age of employee	60 years	60 years

7.8 Sensitivity analysis	2020 Rupees			2019 Rupees
	Defined benefit obligation			
	Changes in assumptions	Increase in assumption Rupees	Decrease in assumption Rupees	
Discount rate	1.00%	122,769,407	142,114,821	
Salary growth rate	1.00%	142,437,088	122,314,633	

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

Maturity profile of the defined benefit obligation

1. Weighted average duration of the benefit	7 Years 2020 Rupees	7 Years 2019 Rupees
2. Distribution of timing of benefit payments (time in years)		
1	26,275,439	24,776,780
2	16,650,840	18,960,305
3	16,513,606	17,484,425
4	15,129,337	18,059,676
5	14,476,004	17,339,014
6 to 10	108,018,023	126,284,865

8 DEFERRED GRANT

As mentioned in note 6.1.15, the State Bank of Pakistan (SBP) through circular no. 6 dated April 10, 2020 introduced a 'Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concern (the Refinance Scheme). The purpose of the Refinance Scheme is to provide relief to dampen the effects of COVID - 19 by providing loans at concessional interest rates. The Company obtained financing of Rs. 45.61 million under the Refinance Scheme. The benefit of below market interest rates, measured as the difference between the fair value of loan and loan proceeds on the date of disbursement has been recognised as deferred grant. The deferred grant is amortized over the term of the loan i.e., 2 years. In line with the recognition of interest expense, the grant is compensatory.

The movement during the year is as follows:

	2020 Rupees	2019 Rupees
Less: Current Portion		
As at July 01	-	-
Recognized during the year	4,865,819	-
Amortized during the year	(310,620)	-
As at June 30	4,555,199	-
Less: Current Portion	(2,954,590)	-
Non current portion	1,600,609	-

9 DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

Taxable temporary differences		
Accelerated tax depreciation	165,722,990	170,086,932
Deductible temporary differences		
Provision for employee benefits	(28,571,242)	(22,065,094)
Tax credits		
Tax credits under section 113 / 65B	(134,573,000)	(142,093,149)
	2,578,748	5,928,689

9.1	Movement in temporary differences for the year	2020			2019
		Balance as at July 1, 2019	Recognized in profit or loss	Rupees Recognized in other comprehensive income	Rupees Balance as at June 30, 2020
	Taxable temporary difference:				
	Accelerated tax depreciation	170,086,932	(4,363,942)	-	165,722,990
	Deductible temporary difference:				
	Provision for gratuity	(22,065,094)	(5,648,254)	(857,894)	(28,571,242)
	Tax credits	(142,093,149)	7,520,149	-	(134,573,000)
		5,928,689	(2,492,047)	(857,894)	2,578,748
				Recognized in other comprehensive income	
		Balance as at July 1, 2018	Recognized in profit or loss	income	Balance as at June 30, 2019
	Taxable temporary difference				
	Accelerated tax depreciation	138,280,310	31,806,622	-	170,086,932
	Deductible temporary difference				
	Provision for gratuity	(15,421,786)	(5,805,967)	(837,341)	(22,065,094)
	Other financial assets	(2,540,308)	2,540,308	-	-
	Tax credits	(140,738,595)	(1,354,554)	-	(142,093,149)
		(20,420,379)	27,186,409	(837,341)	5,928,689
10	TRADE AND OTHER PAYABLES		Note	2020 Rupees	2019 Rupees
	Creditors			203,450,111	115,754,150
	Accrued liabilities		10.1	310,605,351	279,111,993
	Workers' Profit Participation Fund		10.2	13,261,942	16,997,447
	Workers' Welfare Fund			9,179,061	4,888,969
	Advance from customers			14,264,926	26,730,672
	Retention money			394,016	394,016
	Withholding tax payable			1,599,221	1,066,157
	Others			844,620	1,116,467
				553,599,248	446,059,871
10.1	This includes an amount of Rs. 119.87 million (2019: Rs. 118.82 million) in respect of Gas Infrastructure Development Cess (GIDC). Subsequent to the year end on August 13, 2020, the Supreme Court of Pakistan declared its verdict regarding the applicability of GIDC on the industrial and commercial sector, according to the verdict the matter has been decided in favour of the Government regarding recovery of outstanding liability of GIDC upto July 31, 2020 from all industrial and commercial entities which consumes gas for their business activities. The verdict states that the payment shall be recovered in 24 monthly installments without any late payment surcharge starting from August 01, 2020. The Company is considering to file the review petition in the Honorable court against the above said decision.				
10.2	Workers' Profit Participation Fund				
	Opening balance			16,997,447	2,937,521
	Interest on funds utilized in the Company's business		10.2.1	1,816,166	303,007
				18,813,613	3,240,528
	Paid during the year			(18,813,613)	(3,240,528)
	Allocation for the year		32	13,261,942	16,997,447
	Closing balance			13,261,942	16,997,447

10.2.1 Interest on Workers' Profit Participation Fund has been provided @ 30% (2019: 15%) per annum.

11	ACCRUED INTEREST / MARKUP	Note	2020 Rupees	2019 Rupees
	Long term finances		18,122,905	19,136,494
	Short term borrowings		7,651,362	24,274,594
			<u>25,774,267</u>	<u>43,411,088</u>
12	SHORT TERM BORROWINGS			
	From banking companies:			
	Running finance - secured	12.2	71,701	467,091,095
	Cash finance		-	425,000,000
	Bank overdraft - unsecured	12.3	64,731,812	128,640,724
	Foreign currency loans	12.4	302,195,418	-
			<u>366,998,931</u>	<u>1,020,731,819</u>

12.1 The aggregate un-availed short term borrowing facilities amount to Rs. 3,335 million (2019: Rs.2,937 million). Short term borrowings are secured against ranking charge of Rs. 2,025 million (2019: Rs.2,025 million) and first pari passu charge of Rs. 4,184 million (2019: Rs. 4,184 million) on all present and future current assets of the Company.

12.2 These facilities have been obtained from various commercial banks for working capital requirements; carrying mark-up ranging from 8.75% to 14.81% (2019: 11.44% to 13.80%) per annum. These facilities expire on various dates by January 31, 2021.

12.3 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

12.4 This represents foreign currency loan obtained for the purpose of financing working capital requirements, retirement of import documents, covering import of goods imported under site LC and to finance the export orders. These are secured against ranking charge of Rs. 1,000 million and first pari passu charged of Rs. 434 million. This carry mark-up at the rates ranging from 2.50% to 4.25%.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Guarantees issued by banks in favor of Government departments on behalf of the Company in the normal course of business

136,128,046 124,835,046

Post dated cheques issued to Collector of Customs and SNGPL

3,587,702,074 2,842,339,257

3,723,830,120 2,967,174,303

13.2 Tax contingencies

The income tax assessments of the Company upto and including tax year 2019 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Income Tax Ordinance, 2001 ('Ordinance'), except for the amendments and other proceedings mentioned below:

13.2.1 Tax year 2003

The Company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Income Tax Ordinance ('Ordinance') vide letter dated November 13, 2006. The audit proceedings concluded by the department through order dated September 29, 2008 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 13.54 million by making certain disallowances / additions out of the profit and loss account. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against this order. However, the ['CIR(A)'], through order, dated June 13, 2009 partially allowed relief to the Company. Both the Company and the department filed appeals before the Appellate Tribunal Inland Revenue ('ATIR').

The department has, however, given the effect of the above referred appellate order through order dated September 30, 2009, reducing the impugned demand to Rs. 5.38 million. Management is of the view that there are meritorious grounds available to defend the foregoing demands, consequently no provision for such demands has been made in these financial statements.

13.2.2 Transitional tax year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3.34 million and tax payable at Rs. 1.17 million. The tax demand raised through the aforementioned order has been adjusted by the department against tax refund available from tax year 2007 through adjustment memo dated July 14, 2011.

The Company has filed an appeal against the above referred order before ['CIR(A)'] which is pending for adjudication. The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

13.2.3 Tax year 2008

The Additional Commissioner Inland Revenue ('ACIR') initiated proceedings under section 122(5A) of the Ordinance through notice dated January 9, 2014 wherein intentions were shown to amend the assessment under section 120 of the Ordinance on the basis of certain issues stated therein. The proceedings were finalized through order dated March 31, 2014 where the ACIR accepted Company's contentions on all issues except for the issue of 'allocation of expenses', mark-up on loans from directors and allocation of interest on swap transactions. The ACIR did not raise any demand in view of available prior year refunds. However the Company filed an appeal with the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against the order and the appeal was decided in favor of the Company on the grounds of time limitation, through the appellate order dated October 30, 2014. The department has appealed against the aforementioned order with the Appellate Tribunal Inland Revenue, however due to the order of the Honorable Supreme Court in the matter of Civil Petition no. 1306 of 2014, the Company's stance stands vindicated, and accordingly management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

13.2.4 Tax year 2014

The Company's case was selected for audit by the department for tax year 2014 in terms of section 177 of the Income Tax Ordinance ('Ordinance') vide letter dated December 4, 2018. The audit proceedings concluded by the department through order dated March 30, 2019 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 5.94 million by making certain disallowances / additions out of the profit and loss account. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against this order which is yet to be fixed for a hearing.

13.2.5 Tax year 2019

During the year, the Additional Commissioner Inland Revenue, Audit, Range, Zone - III, Large Taxpayers unit, Lahore (ACIR) issued notice dated March 22, 2020 under section 122(9) / 122 (5A) of the Ordinance, where in intentions were to amend the Company's assessment for the tax year 2019. A detailed response of the Company was filed through the letter T3560 dated June 24, 2020 explaining the Company's position. The proceedings, however have not yet been concluded.

13.3 Commitments	Note	2020 Rupees	2019 Rupees
Irrevocable letters of credit for:			
Capital expenditures		323,929,790	113,715,105
Non-capital expenditures		-	4,501,565
		323,929,790	118,216,670
Short term lease:			
Payable within one year	2.1.3	747,117	845,185
Payable later than one year but not later than five years		-	244,017
		747,117	1,089,202
		324,676,907	119,305,872

14 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	2019	2020
	Rupees	Rupees
Operating fixed assets	2,053,047,346	2,189,508,049
Capital work-in-progress	39,824,587	4,980,805
	14.1.6	
	<u>2,092,871,933</u>	<u>2,194,488,854</u>

14.1 Operating fixed assets - as at June 30, 2020

Description	----- COST / REVALUED AMOUNT -----				----- DEPRECIATION -----			Annual rate of depreciation
	As at July 01, 2019	Revaluation	Additions / (disposals)	As at June 30, 2020	As at July 01, 2019	For the year / (on disposals)	As at June 30, 2020	
	----- Rupees -----							
Owned								
Freehold land	105,048,000	-	-	105,048,000	-	-	-	105,048,000
Buildings on freehold land								
- Factory	246,815,561	-	7,038,630	253,854,191	144,444,958	10,646,480	155,091,438	98,762,753
- Residential	111,693,771	-	-	111,693,771	61,523,059	5,018,238	66,541,297	45,152,474
Buildings on leasehold land	36,261,108	-	-	36,261,108	20,270,900	1,599,021	21,869,921	14,391,187
Plant and machinery	3,202,649,450	-	121,911,340	3,052,908,968	1,377,690,367	179,119,166	1,345,250,095	1,707,658,873
			(271,651,822)			(211,559,438)		
Electric installation	78,160,071	-	1,500,000	79,504,056	49,859,496	2,841,094	52,563,585	26,940,471
			(156,015)			(137,005)		
Factory equipment	11,277,551	-	-	11,277,551	5,877,436	540,012	6,417,448	4,860,103
Furniture and fixture	8,843,531	-	531,892	9,375,423	4,712,375	429,676	5,142,051	4,233,372
Office equipment	10,052,709	-	639,899	10,692,608	6,204,513	411,383	6,615,896	4,076,712
Arms and ammunition	328,774	-	-	328,774	207,778	12,100	219,878	108,896
Vehicles	70,051,780	-	4,667,157	69,540,647	20,883,375	10,160,861	27,726,142	41,814,505
			(5,178,290)			(3,318,094)		
	3,881,182,306	-	136,288,918	3,740,485,097	1,691,674,257	210,778,031	1,687,437,751	2,053,047,346
			(276,986,127)			(215,014,537)		

14.1.1 Operating fixed assets - as at June 30, 2019

Description	----- COST / REVALUED AMOUNT -----			----- DEPRECIATION -----			Net book value as at June 30, 2019	Annual rate of depreciation
	As at July 01, 2018	Revaluation	Additions / (disposals)	As at June 30, 2019	For the year / (on disposals)	As at June 30, 2019		
	----- Rupees -----							
Owned								
Freehold land	57,772,000	47,276,000	-	105,048,000	-	-	105,048,000	-
Buildings on freehold land								
- Factory	245,657,945	-	1,157,616	246,815,561	133,189,648	11,255,310	144,444,958	10%
- Residential	111,693,771	-	-	111,693,771	55,947,239	5,575,820	61,523,059	10%
Buildings on leasehold land	36,261,108	-	-	36,261,108	18,494,210	1,776,690	20,270,900	10%
Plant and machinery	3,169,958,531	-	155,564,454	3,202,649,450	1,283,774,773	189,911,290	1,377,690,367	10%
			(122,873,535)			(95,995,696)		
Electric installation	78,160,071	-	-	78,160,071	46,714,987	3,144,509	49,859,496	10%
Factory equipment	11,198,651	-	78,900	11,277,551	5,278,153	599,283	5,877,436	10%
Furniture and fixture	7,706,171	-	1,733,591	8,843,531	4,866,601	354,642	4,712,375	10%
			(596,231)			(508,868)		
Office equipment	9,702,009	-	350,700	10,052,709	5,792,515	411,998	6,204,513	10%
Arms and ammunition	328,774	-	-	328,774	194,334	13,444	207,778	10%
Vehicles	59,340,163	-	35,655,310	70,051,780	24,443,309	7,651,286	20,883,375	20%
			(24,943,693)			(11,211,220)		
	3,787,779,194	47,276,000	194,540,571	3,881,182,306	1,578,695,769	220,694,272	1,691,674,257	2,189,508,049
			(148,413,459)			(107,715,784)		

14.1.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
Vehicles							
Motor cycle	72,985	51,404	21,581	30,000	8,419	Negotiations	Muhammad Aamir
Honda city	1,705,943	890,002	815,941	1,710,000	894,059	Negotiations	Muhammad Asim Mumtaz
Suzuki swift	1,269,780	800,533	469,247	1,035,000	565,753	Negotiations	Mr. Malik Adnan Waheed
Hyundai shahzore	1,631,773	1,120,095	511,678	1,450,000	938,322	Negotiations	Mr. Fazal Kareem
Fork lifter	497,809	456,060	41,749	125,000	83,251	Negotiations	Gagan Textile
Plant and Machinery							
Power looms	182,399,707	143,170,486	39,229,221	41,799,200	2,569,979	Negotiations	H T M Textile Trading
Luwa overhead blowers with tracks	5,182,641	4,085,781	1,096,860	2,400,750	1,303,890	Negotiations	H T M Textile Trading
Knitting frames	4,098,583	3,397,181	701,402	1,440,450	739,048	Negotiations	H T M Textile Trading
Empty beam trolley	112,690	90,430	22,260	10,000	(12,260)	Negotiations	Gagan Textile
Knitting machine with frames	1,310,559	1,040,125	270,434	90,000	(180,434)	Negotiations	Gagan Textile
Articles beam truck / beam trolley	2,324,256	1,844,645	479,611	510,000	30,389	Negotiations	Gagan Textile
Article truck	887,450	712,150	175,300	60,000	(115,300)	Negotiations	Gagan Textile
Cloth rolling machine	1,390,000	616,844	773,156	405,000	(368,156)	Negotiations	Gagan Textile
Jenbacher gas engine with accessories	65,535,110	48,737,163	16,797,947	18,485,244	1,687,297	Negotiations	Orient Energy Systems Private Limited
Air compressor with dryer	5,607,217	5,244,123	363,094	550,000	186,906	Negotiations	Gagan Textile
Air compressor, air dryer with accessories	2,803,609	2,620,510	183,099	275,000	91,901	Negotiations	Gagan Textile
Electric Installation							
PEL transformer 400 KVA	156,015	137,005	19,010	75,000	55,990	Negotiations	Gagan Textile
	276,986,127	215,014,537	61,971,590	70,450,644	8,479,054		
	148,413,459	107,715,784	40,697,675	49,699,150	9,001,475		

14.1.3 Disposal of property, plant and equipment has been made to third parties on arm length basis.

	Note	2020 Rupees	2019 Rupees
14.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	29	199,764,013	212,262,901
Administrative expenses	31	11,014,018	8,431,371
		<u>210,778,031</u>	<u>220,694,272</u>

14.1.5 The Company follows the revaluation model for its Land. Fair value measurement as at March 30, 2019 was performed by "Hamid Mukhtar & Co (Private) Limited", an independent valuers not connected with the Company. The fair value of the freehold land amounting to Rs. 105.04 million is ascertained according to the local market and the forced sale value of land is Rs. 89.29 million.

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

Location	Usage of immovable property	Total area (in Kanals)	Covered area (in Kanals)
13.5 Km, Sharakpura Road, Sheikhupura, Punjab	Manufacturing facility	210	83

The table below analyses the assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Freehold land	-	57,772,000	-	<u>57,772,000</u>

	Note	2020 Rupees	2019 Rupees
Had there been no revaluation, the carrying value of the freehold land would have been		<u>2,207,366</u>	<u>2,207,366</u>
14.1.6 Capital work-in-progress			
Plant and machinery		20,721,447	96,692
Advances for building on freehold land		19,103,140	4,884,113
		<u>39,824,587</u>	<u>4,980,805</u>
As at July 01		4,980,805	-
Additions during the year		170,119,598	193,829,831
Transfer to property, plant and equipment		(135,275,816)	(188,849,026)
As at June 30		<u>39,824,587</u>	<u>4,980,805</u>

15 INTANGIBLE ASSETS

This represents computer software and ERP system.

Cost

As at July 01		5,893,472	5,893,472
Additions during the year		-	-
As at June 30		<u>5,893,472</u>	<u>5,893,472</u>

Accumulated amortization

As at July 01		3,634,307	2,455,613
Amortization during the year	15.1	1,178,694	1,178,694
As at June 30		<u>4,813,001</u>	<u>3,634,307</u>
		<u>1,080,471</u>	<u>2,259,165</u>

15.1 The amortization has been charged to administrative expenses.

16 LONG TERM DEPOSITS

These includes interest free refundable security deposits given to various organizations.

17 SALES TAX REFUND BONDS

Sales tax refund bonds were issued by the FBR Settlement Company (Private) Limited against sales tax refundable of Rs. 28.60 million under section 67A of the Sales Tax Act, 1990. During the year the Federal Board of Revenue has disbursed payment to bond holders by redeeming bonds issued to the refund claimants due to the cancellation of the scheme.

	Note	2020 Rupees	2019 Rupees
18 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores and spares		34,246,043	60,478,828
Sizing material		20,925,154	7,362,265
		<u>55,171,197</u>	<u>67,841,093</u>
19 STOCK-IN-TRADE			
Raw material		197,669,654	348,723,399
Work-in-process		86,316,978	96,033,482
Finished goods		234,619,936	75,507,815
		<u>518,606,568</u>	<u>520,264,696</u>
20 TRADE RECEIVABLES			
Considered good:			
Local - unsecured		407,838,985	409,450,491
Foreign - secured		179,640,875	502,409,446
		<u>587,479,860</u>	<u>911,859,937</u>
20.1	Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of credit customers, to assess whether or not impairment allowance is required. Further, considering that there is no history of default in trade receivable balances and forward looking information, the Company has not recognized any impairment allowance on these balances.		
21 ADVANCES	Note	2020 Rupees	2019 Rupees
Suppliers - unsecured		4,784,062	4,863,696
Staff - secured	21.1	619,032	932,348
Letters of credit	21.2	2,281,943	8,952,509
		<u>7,685,037</u>	<u>14,748,553</u>
21.1	These are interest free advances to employees, other than executives, repayable within one to six months.		
21.2	These include advances paid in respect of letters of credit for spare parts and raw material.		
22 SHORT TERM PREPAYMENTS		2020 Rupees	2019 Rupees
Prepaid insurance		1,790,561	1,409,009
Prepaid rent		244,018	244,019
Prepaid guarantee commission		468,185	383,952
		<u>2,502,764</u>	<u>2,036,980</u>
23 OTHER RECEIVABLES			
Export rebate receivable		3,359,835	7,357,369
Sundry receivables		147,948	419,853
		<u>3,507,783</u>	<u>7,777,222</u>
24 SALES TAX REFUNDABLE			
This represents accumulated differences of input tax on purchases and output tax payable.			

25 OTHER FINANCIAL ASSETS	Note	2020 Rupees	2019 Rupees
Investments designated at FVTPL			
Equity investments		-	95,327,811
Mutual funds		-	5,325,290
		-	100,653,101
Investments classified as FVTOCI			
Equity investments	25.2	279,944,652	334,264,021
Mutual funds	25.3	193,213,491	9,706,247
		473,158,143	343,970,268
		<u>473,158,143</u>	<u>444,623,369</u>
25.1 Reconciliation between fair value and cost of equity investments classified at FVTOCI			
Fair value of investments			
- in listed equity securities	25.2	279,944,652	334,264,021
- in mutual funds	25.3	193,213,491	9,706,247
		473,158,143	343,970,268
Loss on remeasurement of investments	25.4	(87,202,727)	(50,795,934)
Cost of investment		<u>560,360,870</u>	<u>394,766,202</u>

25.2 Investments in securities and mutual funds classified at FVTOCI
Securities

Name of Companies	No. of shares		Cost		Fair value	
	2020	2019	2020	2019	2020	2019
			-----Rupees-----		-----Rupees-----	
Agriauto Industries Limited	16,300	16,300	7,240,030	7,240,027	2,966,600	3,259,345
Bank Alfalah Limited	271,850	271,850	11,603,255	11,603,255	9,126,005	11,849,942
Bank Al Habib Limited	483,500	483,500	24,961,139	24,961,139	25,287,050	37,896,730
Century Paper & Board Mills Limited	60,500	60,500	5,431,927	5,431,927	4,329,985	1,884,575
Engro Fertilizers Limited	1,335,500	1,335,500	87,396,309	87,396,309	80,503,940	85,431,935
Fatima Fertilizer Company Limited	365,000	365,000	12,064,996	12,064,996	9,756,450	10,895,250
Fauji Cement Company Limited	1,250,000	1,250,000	28,562,500	28,562,500	21,100,000	19,662,500
Habib Bank Limited	310,600	410,600	44,288,496	59,920,510	30,087,822	46,504,556
Habib Metropolitan Bank Limited	447,000	447,000	16,202,628	16,202,628	12,431,070	16,127,760
Loads Limited	110,000	110,000	4,862,355	4,862,355	1,529,000	1,662,100
Mari Petroleum Company Limited	17,932	16,302	21,532,561	21,532,561	22,175,608	16,454,098
MCB Bank Limited	76,600	100,000	16,114,874	21,037,695	12,414,562	17,445,000
Oil & Gas Development Company Limited	150,000	150,000	23,795,648	23,795,648	16,350,000	19,723,500
United Bank Limited	308,500	308,500	54,201,909	54,201,909	31,886,560	45,466,730
	<u>5,203,282</u>	<u>5,325,052</u>	<u>358,258,627</u>	<u>378,813,459</u>	<u>279,944,652</u>	<u>334,264,021</u>

25.3 Mutual Funds

Name of Fund	No. of Units		Cost		Fair value	
	2020	2019	2020	2019	2020	2019
			-----Rupees-----		-----Rupees-----	
NBP Stock Fund	3,192,919	-	47,102,243	-	38,213,491	-
NBP Islamic Savings Fund	-	12	-	117	-	117
NBP Riba-Free Savings Fund	-	892	-	9,084	-	9,096
NBP Islamic Energy Fund	-	1,059,820	-	15,943,542	-	9,697,034
NBP Money Market Fund	15,684,290	-	155,000,000	-	155,000,000	-
	<u>18,877,209</u>	<u>1,060,724</u>	<u>202,102,243</u>	<u>15,952,743</u>	<u>193,213,491</u>	<u>9,706,247</u>

These investments have been classified at FVTOCI as they have been held for medium to long term periods .

	Note	2020 Rupees	2019 Rupees
25.4 Unrealized loss on remeasurement of equity investments classified at FVTOCI			
Opening balance		(50,795,934)	5,795,796
Effect of change in accounting policy on adoption of IFRS 9		-	9,944,549
Charge for the period		(53,669,219)	(66,536,279)
Transfer of loss on disposal of equity investments at FVTOCI to unappropriated profit		17,262,426	-
		(36,406,793)	(56,591,730)
Closing balance		(87,202,727)	(50,795,934)
26 ADVANCE INCOME TAX - NET			
Opening balance		96,257,531	142,234,647
Paid during the year		57,245,274	35,980,817
		153,502,805	178,215,464
Provision for taxation		(95,705,247)	(81,957,933)
Closing balance		57,797,558	96,257,531
27 CASH AND BANK BALANCES			
Cash in hand		510,246	540,382
Cash at banks:			
- Current accounts	27.1	12,716,910	113,710,690
		13,227,156	114,251,072

27.1 Cash at banks include current accounts in local currency amounted to Rs. 11.73 million (2019: Rs. 112.12 million) and foreign currency amounted to USD 5,873 equivalent of Rs. 0.97 million (2019: Rs. 1.58 million).

28 SALES - NET

The Company derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines:

	Local	Export	2020 Total	2019 Total
	----- Rupees -----			
Cloth	5,163,154,591	1,514,539,653	6,677,694,244	7,002,730,628
Yarn	55,558,298	-	55,558,298	9,628,316
Waste	50,848,539	-	50,848,539	101,573,725
	5,269,561,428	1,514,539,653	6,784,101,081	7,113,932,669
Less: Sales tax on sales	(765,800,644)	-	(765,800,644)	(2,071,921)
Add: Export rebate	-	240,794	240,794	415,586
	4,503,760,784	1,514,780,447	6,018,541,231	7,112,276,334

28.1 As per the Finance Act 2019, sales tax is levied in the current year on the local sales at a rate of 17%.

29 COST OF SALES	Note	2020 Rupees	2019 Rupees
Raw material consumed	29.1	4,360,598,328	5,018,635,502
Fuel and power		460,633,054	542,570,088
Salaries, wages and benefits	29.2	380,478,639	381,108,063
Stores and spares consumed		72,381,122	77,649,590
Sizing material consumed		110,993,893	127,052,216
Packing material consumed		23,925,602	28,683,702
Depreciation	14.1.4	199,764,013	212,262,901
Insurance		12,071,072	12,447,788
Repairs and maintenance		1,773,409	4,368,899
Vehicles running and maintenance		6,711,539	6,698,938
Traveling and conveyance		464,345	568,193
Lease rentals-land	29.3	366,026	343,840
Entertainment		1,017,409	1,168,003
Fee and subscription		958,142	736,470
Others		5,692,402	5,391,697
		<u>5,637,828,995</u>	<u>6,419,685,890</u>
29 COST OF SALES - continued	Note	2020 Rupees	2019 Rupees
Work-in-process:			
At beginning of the year		96,033,482	66,124,675
At end of the year	19	(86,316,978)	(96,033,482)
		9,716,504	(29,908,807)
Cost of goods manufactured		5,647,545,499	6,389,777,083
Finished goods:			
At beginning of the year		75,507,815	88,881,054
Purchased during the year		550,972	2,342,382
At end of the year	19	(234,619,936)	(75,507,815)
		(158,561,149)	15,715,621
		<u>5,488,984,350</u>	<u>6,405,492,704</u>
29.1 Raw material consumed			
At beginning of the year		348,723,399	203,365,709
Purchases - net		4,209,544,583	5,163,993,192
		4,558,267,982	5,367,358,901
At end of the year	19	(197,669,654)	(348,723,399)
		<u>4,360,598,328</u>	<u>5,018,635,502</u>

29.2 Staff salaries, wages and benefits include employee retirement benefits amounting to Rs. 27.68 million (2019: Rs. 21.57 million).

29.3 It represents the lease rental related to land obtained under lease arrangement from Nagina Cotton Mills Limited, (a related party). The agreement has been renewed in current year from March 01, 2020 and ending on February 28, 2021 against annual rental of Rs. 366,025 (2019: Rs. 366,025). This lease has been classified as short term lease as per IFRS 16.

30 DISTRIBUTION COST	Note	2020 Rupees	2019 Rupees
Export			
Ocean freight and forwarding		4,803,893	3,662,059
Transportation and octroi		5,049,869	4,804,029
Export development surcharge		4,100,042	4,563,583
Commission		11,188,396	25,735,627
Travelling expenses foreign		7,209,720	8,412,397
Others		12,270,030	8,079,103
		44,621,950	55,256,798
Local			
Freight, handling and transportation		2,691,560	3,783,733
Commission		26,956,169	33,154,126
Others		25,025,517	8,347,821
		54,673,246	45,285,680
		99,295,196	100,542,478
31 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits	31.1	49,541,505	56,242,092
Directors' remuneration		15,864,928	9,398,179
Vehicles running and maintenance		3,962,325	5,754,705
Depreciation	14.1.4	11,014,018	8,431,371
Amortization	15.1	1,178,694	1,178,694
Insurance		4,059,809	3,650,907
Telephone, telex and postage		994,864	1,081,162
Electricity		4,650,677	4,130,419
Fee and subscription		2,194,422	2,013,903
Auditors' remuneration	31.2	1,492,500	1,355,000
Printing and stationery		885,090	957,422
Legal and professional charges		1,795,593	4,107,374
Lease rentals	31.3	982,260	914,760
Repairs and maintenance		279,676	38,954
Directors' meeting fee		605,000	445,000
Advertising		162,515	133,559
Others		439,614	520,942
		100,103,490	100,354,443

31.1 Staff salaries and benefits include employee retirement benefits amounting to Rs. 2.74 million (2019: Rs. 8.78 million).

31.2 Auditors' remuneration	2020 Rupees	2019 Rupees
Annual statutory audit	1,000,000	1,000,000
Half yearly review	240,000	220,000
Review report on Code of Corporate Governance	85,000	85,000
Out of pocket expenses	167,500	50,000
	1,492,500	1,355,000

31.3 It represents the lease rental related to land obtained under lease arrangement from Nagina Cotton Mills Limited, (a related party). The agreement has been renewed in current year from January 01, 2020 and ending on December 31, 2020 against annual rental of Rs. 982,260 (2019: Rs. 914,760). This lease has been classified as short term lease as per IFRS 16.

		2020	2019
	Note	Rupees	Rupees
32 OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	10.2	13,261,942	16,997,447
Workers' Welfare Fund		4,008,409	3,772,711
Donations	32.1	300,000	300,000
Exchange loss	32.2	11,829,351	-
Loss on forward contracts		988,678	4,586
Separate managed accounts charges		676,664	1,593,125
Loss on investments designated at FVTPL		-	7,094,183
Loss on sale of investments designated at FVTPL		-	20,256,526
Interest expense on sales tax refund bonds written off		242,137	-
		<u>31,307,181</u>	<u>50,018,578</u>
32.1	Donation of Rs. 0.30 million has been given to Lahore Businessmen Association for Rehabilitation of the Disabled Persons(LABARD). No director or his spouse had any interest in the donees.		
32.2	This represents exchange loss on foreign currency loans obtained under short term financing.		
33 OTHER INCOME			
	Note	Rupees	Rupees
Dividend income on investments classified at FVTOCI		30,560,375	28,234,502
Dividend income on investments designated at FVTPL		4,536,737	6,571,706
Interest income on sales tax refund bonds		-	242,137
Exchange gain		-	541,690
Exchange gain on debtors		-	226,110
Gain on sale of property, plant and equipment	14.1.2	8,479,054	9,001,475
Gain on the sale of investment		24,388,361	-
		<u>67,964,527</u>	<u>44,817,620</u>
34 FINANCE COST			
Mark-up on:			
Long term finances from banking companies		72,687,879	78,929,037
Short term borrowings		36,624,293	94,409,665
Workers' Profit Participation Fund		1,816,166	303,007
		<u>111,128,338</u>	<u>173,641,709</u>
Bank charges and commission		7,718,709	7,865,259
		<u>118,847,047</u>	<u>181,506,968</u>
35 PROVISION FOR TAXATION			
Current		87,968,783	81,219,981
Prior		7,736,464	737,952
		<u>95,705,247</u>	<u>81,957,933</u>
Deferred	9.1	(2,492,047)	27,186,409
		<u>93,213,200</u>	<u>109,144,342</u>
35.1 Numerical reconciliation between the average effective tax rate and applicable tax rate			
		2020	2019
		-----	-----
		%	%
Applicable tax rate		29.00	29.00
Tax effects of amounts that are:			
Effect of change in rate and local sales ratio		(2.39)	3.55
Effect of tax paid on NTR admissible, inadmissible		-	4.93
Effect of temporary difference and tax credits		(9.98)	(3.63)
Others		(0.22)	0.35
Average effective tax rate		<u>16.41</u>	<u>34.20</u>

36 EARNINGS PER SHARE - BASIC AND DILUTED

2020 2019

The calculation of the basic earnings per share is based on the following data:

Profit after taxation for the year (Rupees)	154,755,294	210,034,441
Number of shares outstanding	18,480,000	18,480,000
Earnings per share - Basic- (Rupees)	8.37	11.37

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

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	2020			2019		
	Rupees			Rupees		
Remuneration	3,966,667	14,450,000	9,417,328	5,600,000	8,400,000	7,936,960
Utilities	-	1,414,928	-	-	998,179	-
Gratuity	-	-	2,405,083	1,385,496	-	1,537,407
Other allowances	1,983,333	-	4,708,664	2,800,000	-	3,968,480
	5,950,000	15,864,928	16,531,075	9,785,496	9,398,179	13,442,847
Number of persons	1	1	5	1	1	5

37.1 In addition to above, the Directors have been provided with Company maintained cars.**37.2** In addition to above, 5 (2019: 2) Non Executive directors were paid aggregate meeting fee of Rs. 605,000 (2019: Rs.445,000).**38 CASH GENERATED FROM OPERATIONS**2020 2019
Rupees Rupees

Profit before taxation	247,968,494	319,178,783
Adjustments for:		
Depreciation on property, plant and equipment	210,778,031	220,694,272
Amortization of intangible assets	1,178,694	1,178,694
Provision for employee benefits	30,428,568	30,359,782
Dividend income	(35,097,112)	(34,806,208)
Gain on disposal of property, plant and equipment	(8,479,054)	(9,001,475)
(Gain) / loss on sale of other financial assets	(24,388,361)	20,256,526
Fair value loss on other financial assets	-	7,094,183
Finance cost	118,847,047	181,506,968
	293,267,813	417,282,742
Operating cash flows before working capital changes	541,236,307	736,461,525
Changes in working capital		
(Increase) / decrease in:		
Stores, spare parts and loose tools	12,669,896	(17,873,008)
Stock-in-trade	1,658,128	(161,893,258)
Trade receivables	324,380,077	(198,813,102)
Advances	7,063,516	22,517,527
Short term prepayments	(465,784)	(247,132)
Other receivables	4,269,439	28,541,890
Sales tax refundable	10,112,083	(17,860,464)
	359,687,355	(345,627,547)
Increase in:		
Trade and other payables	107,539,377	56,424,690
Cash generated from operations	1,008,463,039	447,258,668

39 FINANCIAL RISK MANAGEMENT

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

39.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Expected Credit Loss (ECL) on financial assets are measured as an allowance equal to lifetime ECL for trade receivables and 12-month ECL for other financial assets. An asset moves to lifetime ECL category when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company is exposed to credit risk from its operating activities primarily for local trade receivables, sundry receivables and other financial assets for which the Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

39.1.1 Counterparties

The Company conducts the following major types of the transactions with the counterparties:

Trade receivables

Trade receivables are essentially due from local customers against sale of cloth and from foreign customers against supply of cloth and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit evaluation. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of security.

Banks and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, Company does not expect any counterparty to fail to meet its obligations. The names and credit ratings of major banks, where the Company maintains bank balances as at June 30, 2020 are as follows:

Bank Name	Rating Agency	Credit Rating	
		Short Term	Long Term
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Habib Bank Limited	JCR-VIS	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
The Bank of Punjab	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AAA

39.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2020 Rupees	2019 Rupees
Trade receivables	20	587,479,860	911,859,937
Bank balances	27	12,716,910	113,710,690
Sales tax refund bonds	17	-	28,600,000
Long term deposits	16	15,039,000	15,039,000
		<u>615,235,770</u>	<u>1,069,209,627</u>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Cloth	<u>587,479,860</u>	<u>911,859,937</u>
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There is no single significant customer in the trade receivables of the Company.

The maximum exposure to credit risk for trade receivables at the reporting date by type of product was:

Textile	<u>587,479,860</u>	<u>911,859,937</u>
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Ageing analysis of trade receivables subject to credit risk

1 to 90 days	410,601,842	840,748,661
91 to 180 days	176,878,018	71,111,276
	<u>587,479,860</u>	<u>911,859,937</u>

39.2 Liquidity risk management

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in note 12.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

39.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay.

Fair values of all other financial assets and liabilities approximate their fair values.

For effective markup rate please see note 6.2 and note 12.2 to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2020 Rupees	2019 Rupees
Trade and other payables		
Maturity up to one year	530,155,261	414,440,230
Accrued interest / markup		
Maturity up to one year	25,774,267	43,411,088
Unclaimed dividend		
Maturity up to one year	5,289,251	4,890,794
Short term borrowings		
Maturity up to one year	366,998,931	1,020,731,819
Long term finances		
Maturity up to one year	86,081,234	271,872,149
Maturity after one year and up to five years	1,009,369,316	914,663,284
Maturity after five years	523,094,269	487,005,823
	1,618,544,819	1,673,541,256
	2,546,762,529	3,157,015,187

Long term finances

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

39.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's net exposure to foreign currency risk was as follows based on notional amounts:

	Currency	2020	2019
Trade receivables	USD	1,078,471	2,978,826
Trade receivables	CNY	-	1,099,540
Foreign currency loan	USD	1,814,225	-
		<u>2,892,696</u>	<u>4,078,366</u>

The following significant exchange rates have been applied:

	Average rate		Reporting date mid spot rate	
	2020 Rupees	2019 Rupees	2020 Rupees	2019 Rupees
USD 1	159.28	138.66	167.85	160.20
CNY 1	22.52	22.47	23.96	23.85

Commitments outstanding at year end amounted to Euro 1.6 million (2019: 0.64), USD: 0.15 million (2019: Nil), CNY: Nil (2019: Nil) and JPY: 2 million (2019: Nil) relating to letter of credits for import of stores, spare parts and raw material.

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2020 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2019.

	2020 Rupees	2019 Rupees
Decrease in profit and loss account due to change in USD	48,553,902	47,720,793
Decrease in profit and loss account due to change in CNY	-	2,622,403

A 10 percent strengthening of the Pak Rupee against the USD at June 30, 2020 would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

39.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

<u>Fixed rate instruments</u>	2020	2019	2020	2019
	-----%-----		----- Rupees -----	
Financial liabilities				
Long term finances	2.50%	2.50%	166,459,000	166,459,000
	2.50%	2.50%	142,390,000	142,390,000
	6.50%	6.50%	19,368,580	29,052,865
	6.50%	6.50%	182,291,517	209,635,245
	8.00%	8.00%	73,357,377	117,371,802
	3.50%	3.50%	129,202,992	146,821,581
	2.50%	2.50%	577,096,000	638,927,713
	2.50%	2.50%	28,571,143	30,475,885
			<u>1,318,736,609</u>	<u>1,481,134,091</u>
Floating rate instruments	2020	2019	2020	2019
	-----%-----		----- Rupees -----	
Financial assets				
Mutual funds			193,213,491	5,325,290
			<u>193,213,491</u>	<u>5,325,290</u>
Financial liabilities				
Long term finances	1.00% to 13.45%	7.92% to 12.34%	299,808,210	192,407,165
Short term borrowings	8.75% to 14.81%	6.51% to 13.80%	366,998,931	1,020,731,819
			<u>666,807,141</u>	<u>1,213,138,984</u>

Fair value sensitivity analysis for fix rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on finance cost).

	Increase / (decrease) in basis points	Decrease / (increase) of profit Rupees
	Points	
2020	+ (-) 200	<u>2,186,243</u>
2019		<u>3,466,774</u>

39.3.3 Equity price risk management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 473.158 million

At the reporting date, the exposure to listed equity securities and unlisted mutual funds at fair value was Rs. 279.94 million and Rs. 193.21 million respectively (2019: Rs. 429.59 million and Rs. 5.32 million). An increase of 25% on the listed equity market would have an impact of approximately Rs. 69.98 million (2019: Rs. 107.39) and an increase of 25% on the unlisted mutual funds would have an impact of approximately Rs. 48.30 million (2019: Rs. 1.31 million) on the income or equity attributable to the Company, depending on whether or not the increase is significant and prolonged. A decrease of 25% in the value of the listed securities and unlisted mutual funds would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

39.3.4 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk, currency risk or equity price), 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 not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

39.4 Determination of fair values

Fair value of financial instruments

Fair value 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.

Equity instruments and mutual funds at FVTOCI as disclosed in other financial assets, are presented at fair value by using quoted prices at Pakistan Stock Exchange (PSX) and Mutual Fund Association of Pakistan (MUFAP) respectively as at June 30, 2020. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

The financial instrument, if any, that are not traded in active market are carried at cost and are tested for impairment according to IFRS 9.

The carrying amount less impairment provision, if any, of trade receivables and payables and financial liabilities are assumed to approximate to their fair values.

39.5 Fair value hierarchy

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as

prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Following table presents the Funds / Company's financial assets which are carried at fair value:

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
----- Rs -----				
Financial assets - at fair value				
Equity Investments designated at FVTPL	-	-	-	-
Equity Investments designated at FVTOCI	279,944,652	-	-	279,944,652
Mutual funds	193,213,491	-	-	193,213,491
	<u>473,158,143</u>	<u>-</u>	<u>-</u>	<u>473,158,143</u>
----- Rs -----				
June 30, 2019				
	Level 1	Level 2	Level 3	Total
----- Rs -----				
Financial assets - at fair value				
Equity Investments designated at FVTPL	95,327,811	-	-	95,327,811
Equity Investments designated at FVTOCI	334,264,021	-	-	334,264,021
Mutual funds designated at FVTPL	9,706,247	-	-	9,706,247
Mutual funds designated at FVTOCI	5,325,290	-	-	5,325,290
	<u>444,623,369</u>	<u>-</u>	<u>-</u>	<u>444,623,369</u>

At June 30, 2020, the Company holds short term investments where the company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

The levels and hierarchy of fixed assets at fair values are disclosed in note 14.1.5 to the financial statements.

39.6 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

	2020 Rupees	2019 Rupees
Total borrowings	1,990,098,949	2,694,273,075
Cash and bank balance	(13,227,156)	(114,251,072)
Net debt	<u>1,976,871,793</u>	2,580,022,003
Total equity	<u>1,180,448,233</u>	1,154,588,395
Total capital	<u>3,157,320,026</u>	<u>3,734,610,398</u>
Gearing ratio	62.61%	69.08%

40 TRANSACTIONS WITH RELATED PARTIES

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

Amounts due from and to related parties are shown under receivables and payables, if any, and remuneration of directors and key management personnel is disclosed in note 37.

Other significant transactions with related parties are as follows:

Nature of relation	Nature of transactions	2020	2019
		Rupees	Rupees
Associated company	Purchase of goods and services	1,687,003,694	1,567,880,745
	Sale of goods and services	8,269,764	288,794
	Dividend paid	22,317,132	11,158,566
	Rent expense	1,348,285	1,280,785
Key management personnel	Payment of dividend to directors and their close family members	42,436,252	21,218,126

40.1 Following are the related parties with whom the Company had entered into transaction or have arrangements / agreement in place.

Name of Related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Nagina Cotton Mills Ltd.	Associated company	Comon directorship	-
Ellcot Spinning Mills Ltd.	Associated company	Comon directorship	-
Haroon Omer (Pvt) Ltd.	Associated company	Comon directorship	0.275
Monell (Pvt) Ltd.	Associated company	Comon directorship	0.281
Icaro (Pvt) Ltd.	Associated company	Comon directorship	0.275
ARH (Pvt) Ltd.	Associated company	Comon directorship	9.081
Ellahi International (Pvt) Ltd.	Associated company	Comon directorship	20.278
Pacific Industries (Pvt) Ltd	Associated company	Comon directorship	-
Mr. Shahzada Ellahi Shaikh	Key Management personnel	Chairman / Director	11.473
Mr. Shaukat Ellahi Shaikh	Key Management personnel	Director	11.573
Mr. Shafqat Ellahi Shaikh	Key Management personnel	Director	11.472
Mr. Raza Ellahi Shaikh	Key Management personnel	Director / CEO	7.576
Mr. Amin Ellahi Shaikh	Key Management personnel	Director	7.576
Mr. Haroon Shahzada Ellahi Shaikh	Key Management personnel	Director	3.791
Mr. Javaid Bashir Sheikh	Key Management personnel	Director	0.003
Mrs. Mehreen Sadat	Close family member of Key Management	Wife of Director	0.104
Mrs. Humera Shahzada Ellahi Shaikh	Close family member of Key Management	Wife of Director	0.016
Mrs. Mona Shaukat Shaikh	Close family member of Key Management	Wife of Director	0.016
Mrs. Shaista Shafqat	Close family member of Key Management	Wife of Director	0.016
Mr. Omer Ellahi Shaikh	Close family member of Key Management	Son of Director	3.788
Ms. Parveen Akhter Malik	Key Management personnel	Director	0.003
Mr. Arfa Waheed Malik	Key Management personnel	Director	0.003
Mr. Aneeq Khawar	Key Management personnel	Director	0.003

41 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening	Net cash flows	Closing
	----- Rupees -----		
2020			
Long term finances	1,673,541,256	(50,441,238)	1,623,100,018
Short term borrowings	1,020,731,819	(653,732,888)	366,998,931
	<u>2,694,273,075</u>	<u>(704,174,126)</u>	<u>1,990,098,949</u>
2019			
Long term finances	1,699,563,579	(26,022,323)	1,673,541,256
Short term borrowings	1,030,068,055	(9,336,236)	1,020,731,819
	<u>2,729,631,634</u>	<u>(35,358,559)</u>	<u>2,694,273,075</u>

42 PLANT CAPACITY AND ACTUAL PRODUCTION	2020	2019
Air Jet Looms installed (Number)	280	328
Installed capacity at 50 Picks (meters)	65,488,435	68,741,071
Actual production (meters)	42,266,281	54,185,732
Actual production after conversion into 50 Picks (meters)	61,388,651	75,766,121

The difference between installed capacity and actual production is in normal course of business.

43 NUMBER OF EMPLOYEES

	At year end		Average	
	2020	2019	2020	2019
Head office	43	46	45	47
Plant	<u>1,034</u>	<u>1,053</u>	<u>1,044</u>	<u>1,148</u>
Total number of employees	<u>1,077</u>	<u>1,099</u>	<u>1,089</u>	<u>1,195</u>

44 SUBSEQUENT EVENTS

In respect of current year, the board of directors proposed to pay cash dividend @ Rs. Nil (2019: Rs. 4) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

45 IMPACT OF COVID-19 (CORONA VIRUS)

The World Health Organization declared COVID-19 (the virus) as a global pandemic. To limit the spread of COVID-19 the Government of Pakistan imposed partial to full scale lockdowns across the country starting from March 23, 2020. According to the management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

46 DATE OF AUTHORISATION FOR ISSUE


These financial statements have been approved by the board of directors of the Company and authorized for issue on September 24, 2020.

47 GENERAL

The figures have been rounded off to the nearest Rupee.



Amin Ellahi Shaikh
Director



Muhammad Tariq Sheikh
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Director

Lahore: September 24, 2020





FORM OF PROXY

The Secretary,
PROSPERITY WEAVING MILLS LTD.
 Nagina House
 91-B-1, M.M. Alam Road,
 Gulberg-III,
 Lahore-54660.

I/We _____ of _____ being member(s) of **PROSPERITY WEAVING MILLS LTD.**, and holder of _____ Ordinary Shares as per Share Register Folio No. _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____) hereby appoint _____ of _____ who is member of the Company as per Register Folio No. _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____) or failing him/her _____ of _____ who is member of the Company as per Register Folio No. _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____) as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on October 26, 2020 and at any adjournment thereof.

Signed at _____ this the _____ day of _____ 2020

WITNESSES:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
CNIC _____	CNIC _____
_____	_____

affix
 Rs. 50/=
 Revenue
 Stamp

(Signature should agree with the Specimen signature registered with the Company)

NOTES:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.
2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original Computerized Identity Card with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

