

**41st  
ANNUAL REPORT  
2022**

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**SUHAIL JUTE MILLS LIMITED**

# 41<sup>st</sup> ANNUAL REPORT 2022

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**Company Information****Chairperson**

Mrs. Neelum Sohail Shaikh

**Board of Directors /  
Chief Executive**

Sohail Farooq Shaikh

**Directors**

Farrukh Haroon Rashid  
Mrs. Neelum Sohail Shaikh  
Mrs. Sadia Mohsin  
Mr. Shahmeer Shaikh  
Mr. Saleem Asghar Mian  
Mr. Syed Ibrahim Ahmad

**Audit Committee**

Chairman - Mr. Syed Ibrahim Ahmed  
Member - Mrs. Neelum Sohail Shaikh  
Member - Mrs. Sadia Mohsin Shaikh

**HR and Remuneration Committee**

Chairman – Mr. Syed Ibrahim Ahmed  
Member – Mr. Sohail Farooq Shaikh  
Member - Mrs. Sadia Mohsin Shaikh

**Company Secretary**

Farzand Ali Khan Bangash

**Chief Finance Officer**

Mohammad Amjad Iqbal

**Share Registrar**

Corplinks (Pvt) Ltd., Lahore

**Auditors**

Crowe Hussain Chaudhury & Co  
Chartered Accountants, Islamabad

**Registered Office**

14-B, Civil Lines, Rawalpindi

**Factory**

Kabul River Railway Station  
Mardan Road, Khyber Pakhtunkhwa

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## **Vision**

**To excel in delivering highest standards quality  
Jute products to customers as per  
their customized needs.**

## **Mission Statement**

**To transform Company into a modern and dynamic Jute Industry  
and to provide quality products to consumers and explore new  
markets to promote / extend sale of the Company's products through  
good governance and foster a sound and dynamic team, so as to  
achieve optimum profitability**

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**NOTICE OF ANNUAL GENERAL MEETING**

**Notice** is hereby given that 41<sup>st</sup> Annual General Meeting of the members of Suhail Jute Mills Limited, ("the Company") is to be held on November 26, 2022 at the Registered Office of the Company, 14-B Civil Lines Rawalpindi at 15:30 PM.

**ORDINARY BUSINESS**

1. To confirm the minutes of Extraordinary General Meeting held on 05<sup>th</sup> October 2022.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2022 together with the Director's and Auditor's Reports thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2023 and fix their remuneration. The present auditors, Crowe Hussain Chaudhury & Co., Chartered Accountant, have consented to continue as Auditors and the Board of Directors, based on the recommendation of Audit Committee, has recommended their re-appointment as auditors of the Company, for the year ending June 30, 2023.
4. To discuss any other matter with the permission of the Chair.

By Order of the Board of Directors  
Company Secretary

Rawalpindi Dated: 25<sup>th</sup> October 2022

1. The Register of members will remain closed from 18<sup>th</sup> November 2022 to 25<sup>th</sup> November 2022 (both dates inclusive). The Members whose names appear on the Register of Members as on 17<sup>th</sup> November 2022 shall be entitled to attend and vote at the AGM.
  2. A member entitled to attend speak and vote at the meeting shall also be entitled to appoint his / her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights with respect to attending, speaking and voting. The Instrument of Proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of that Power of Attorney or authority, in order to be effective, must be received by the Company at least 48
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hours before the meeting. A proxy need not be a member of the Company. The Form of Proxy is enclosed with this notice. Members may request participation through Video link in terms of SECP Circular No.10. of 2014, read with section 134(1)(b) of the Companies Act 2017.

3. Any company or other body corporate which is a member of the Company may, by resolution of its Directors, or proxy signed by authorized officers, authorize any of its officials or any other person to act as its representatives at the meeting and the person so authorized shall be entitled to exercise the same powers as it he/she were an individual member of the Company.

4. Individual members who have lodged their shares at the Central Depository Company (CDC), desiring to attend the meeting are requested to bring their original Computerized National Identity Cards (CNICs) along with the Investor Account or Participant ID and House Account/Sub-Account numbers, for identification purposes, whereas, in case of corporate member, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee may preferably be provided to the Company well in advance or otherwise produced at the time of meeting.

5. Members are requested to notify any change of their registered address, if any, immediately, but before the first day of book closure, to the Company Secretary.

6. Pursuant to Section 242 of the Companies Act, 2017 (the Act) read with relevant provisions of the Companies (Distribution of Dividends) Regulations, 2017 (the Regulations), all listed companies have been mandated to pay dividend directly into the bank accounts of entitled shareholders, as designated by them. Please provide bank account details at the earliest.

7. Members may access Financial Statements and other information from the company's Website ([www.sjmlimited.com](http://www.sjmlimited.com)) and post comments and questions on email [suhailjutemill@hotmail.com](mailto:suhailjutemill@hotmail.com).

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**REVIEW REPORT OF THE CHAIRPERSON  
FOR THE YEAR ENDED 30 JUNE 2022**

I am pleased to present my Review Report for the year ended 30 June 2022

It is to be noted that the Company continues to be in a non-operational state. As such, there are no day to day commercial activities. Despite the limited scope of activity, the Board played an effective role in contributing to achieving the objectives of the Company. Directors' attendance and participation has been satisfactory and the Board has remained focused in the company's efforts to return to the path of commercial production and operations.

Central to this effort was a special resolution authorizing the company to dispose of identified surplus assets in order to generate funds to pay off pressing liabilities in an orderly fashion so as to raise working capital to re start commercial operations.

During the year, the committee of Directors, constituted by the Board to dispose of the identified surplus assets, actively pursued the task allotted to them. The Directors on the Committee have been closely involved in all aspects of the origination of expressions of interest and negotiation with parties who expressed interest in acquiring the assets being disposed of. The renewed mandate to the committee of Directors was expanded to permit them to explore the possibility of entering into joint venture arrangements with interested parties. The Board has been kept apprised of the ongoing developments in a timely fashion.

At the date of this review however, no sale transaction or any joint venture arrangement has come to fruition, because the unprecedented financial and economic crisis, coupled with the political uncertainties, have had an extremely detrimental effect on investor sentiment.

I look forward to an improvement in the Company's overall state of affairs, once funds have been generated from the disposal of surplus assets and the company is able to recommence commercial production.

I wish to thank the Directors for their contribution and cooperation in ensuring the smooth and effective functioning of the Board.



NEELUM SOHAIL SHAIKH  
CHAIRPERSON

RAWALPINDI, 25<sup>th</sup> October 2022

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**DIRECTORS REPORT TO THE MEMBERS  
FOR THE YEAR ENDED 30 JUNE 2022**

We are pleased to present to the shareholders the Directors Report for the period.

The following persons served on the Board of the Company during the financial year

**NAMES OF DIRECTORS-**

<b>S. NO</b>	<b>Name</b>	<b>Current status</b>	<b>Total Meetings</b>	<b>Attended Meetings</b>
1	SOHAIL FAROOQ SHAIKH	CEO	4	4
2	NEELUM SOHAIL SHAIKH	CHAIRPERSON	4	2
3	SADIA MOHSIN	DIRECTOR	4	4
4	FARRUKH HAROON RASHID	DIRECTOR	4	3
5	SHAHMEER SHAIKH	DIRECTOR	4	4
6	SALEEM ASGHAR MIAN	INDEPENDENT DIRECTOR	4	3
7	SYED IBRAHIM AHMAD	INDEPENDENT DIRECTOR	4	4

**PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF THE COMPANY**

The Company was unable to re-commence its commercial production due to the unavailability of working capital finance. As a result the Company is not considered a 'going concern' and has presented its financial statements on a 'realizable basis'.

Subsequent to the completion of its merger with its former associated company, the Company has identified surplus assets that may be disposed-off to repay Banks and other creditors and provide working capital finances to re-commence operations, as was envisaged in the Merger Plan approved by the Court in sanctioning the Merger.

The Company continued to incur administrative expenditure essential to safeguard its infrastructure, service its corporate and statutory obligations and to keep its existing plant and machinery in order. The entire amount of the funding required for this purpose was fully met by funds provided by the principal shareholder, from personal resources.

During the year, the Company's management actively sought buyers for its surplus assets. The Company received expressions of interest for the assets and is in the process of negotiating suitable terms of disposal, under Board supervision. Additionally, the Company explored the possibility of entering into joint venture(s) as a means of disposing its assets. The unprecedented economic and political uncertainties faced by the country during the period has negatively impacted the prospects for an early disposal of assets. At this juncture, Management expects that till some stability in the overall economic environment is attained, potential buyers will be hesitant to make any meaningful commitments. It is hoped that a restoration of political and economic stability can be achieved in a reasonable period of time. Efforts to find buyers/ JV partners are continuing.

**PRINCIPAL RISKS AND UNCERTAINTIES**

As the Company has been non-operational for an extended period it is subject to uncertainties and risks. The inordinate and unplanned delay in the completion of the merger had exacerbated the risk. These risks are significantly offset by the availability of surplus assets that, when realized, are expected to be sufficient to meet its obligations and re -commence operations. The main risk faced by

the company, is that the principal shareholder becomes unable to sustain the funding that is required to keep the Company in existence with no other source of funding available. Management, continues to proactively pursue the implementation of the merger plan as a means of overcoming these risks and has taken steps to implement the plan primarily by identifying surplus assets and initiating a process whereby funds are generated by the disposal of assets.

**CHANGES IN THE NATURE OF THE BUSINESS OR ITS SUBSIDIARIES**

Apart from the developments disclosed above no changes have taken place.

The Company has no subsidiaries.

**COMMENTS IN AUDITORS REPORT.**

There are no adverse qualifications in the Auditors' Report. The reference to 'material uncertainty', in the auditors' report is in consonance with the view of management. The accounts are presented on a 'realizable basis' and there is no presumption that the company remains a 'going concern'.

**PATTERN OF SHAREHOLDINGS**

Attached in the specified Form-34

**DOMICILE**

The Company is a Pakistan domicile company and has no holding company.

**EARNINGS (LOSS) PER SHARE**

The Company incurred a loss of RS. 54.682 Million (RS.12.62 per share) during the year as compared to a loss of RS.50.984 (RS. 11.77 per share) in the last financial year.

**REASONS FOR LOSS AND PROSPECTS OF PROFIT**

The losses have arisen because the Company has not been able to recommence commercial production since its cessation of manufacturing operations in 2010. The operations were discontinued because of the extensive damage to the manufacturing facility by unprecedented floods and the subsequent non availability of working capital. The Company is hopeful that funds generated by the disposal of surplus assets will enable it to recommence commercial production, as envisaged in the Court approved Merger Plan. However, it is not possible to precisely quantify or, specify the time horizon for this, as it is entirely dependent on the outcome of the ongoing efforts to dispose off surplus assets. The situation has further exacerbated by the economic and political uncertainties the country is facing.

**DEFAULTS IN DEBTS AND REASONS FOR DEFAULT**

As detailed in the Financial Accounts, the Company is in default of its obligations to Financial institutions against which Decrees have been ordered and execution proceedings are being conducted in accordance with the law by the Courts of jurisdiction.

The Company defaulted on its obligations directly because of the damage to its assets and destruction of all its stocks by the Flood events of 2010. The stocks carried as collateral security for the working capital finance were destroyed by the flood waters leaving the company with the underlying debt outstanding. However, the lenders are adequately secured by mortgaged Assets, by an arrangement that was put in place after the collateral stocks were lost due to the floods. The assets

Mortgaged against the said obligations are separate from those that have been identified as surplus assets and which remain available for disposal.

**ADEQUACY OF INTERNAL FINANCIAL CONTROL**

The Company's internal financial controls are considered adequate in the circumstances. Due to its non-operational state and in the absence of any revenue source, all expenditure is being met by the principal shareholder from personal resources. This in itself presupposes close scrutiny of all outgoings as to justifiable need and cost.

The Company has accounting systems that provide complete and accurate financial information on a timely basis, that serve to safeguard its assets, detect and prevent fraud and errors. Moreover, due to the prescribed statutory frameworks such as the IFRS, Directors refer to, approve and authenticate financial statements based on the principles and guidance provided by such frameworks.

**MATERIAL POST CLOSING CHANGES**

Nomaterial changes or commitments have occurred between the close of the financial year on 30 June 2022 and the date of this report

**MAIN TRENDS AND FACTORS LIKELY TO EFFECT THE COMPANY**

The main trends and factors likely to effect the development, performance and position of the business of the Company do not apply in our case as it is in a non-operational state. However, the factors that will affect the future outcome of the implementation of the asset disposal process under the Merger plan is dependent on the economic conditions that will dictate the market demand for assets and the ability of buyers to conduct transactions suited to the Company's needs.

**ENVIRONMENTAL IMPACT**

As there is currently no manufacturing activity by the company there is no exceptional, measureable impact on the environment.

**EFFECT OF COVID 19 ON THE COMPANY'S AFFAIRS**

Mercifully, no case of Covid19 afflicted any staff member of the Company. It is noteworthy that the Company did not lay-off any employees due to the pandemic and with the overall decline in the prevalence of the virus it is expected that there will be no significant impact on the Company.

**CORPORATE SOCIAL RESPONSIBILITY**

As the Company has not generated any revenue it has no funds available to deploy towards specific corporate social responsibility projects or programs. However it continues to fulfil its obligations to its employees and their families.

**DIRECTORS RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROL**

In so far as Directors' responsibility for adequacy of internal financial control is concerned, as is reported, they approve and authenticate the financial information that is produced by the

Company's accounting system in a timely, complete and accurate fashion, based on the framework stipulated by International Financial Reporting Standards (IFRS).

They are also responsible for the company's adherence to policies and procedures that guard against fraud and errors as well as for the safeguarding of assets.

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**PENALTIES IMPOSED**

The details of the penalties imposed by the SECP during the year are tabulated below:

<i>DATE OF ORDER</i>	<i>SECTIONS OF COMPANIES ACT 2017 APPLIED</i>	<i>EXTENT OF PENALTY</i>	<i>STEPS TAKEN FOR RECTIFICATION OF DEFAULT</i>
08 JUNE, 2022	SECTIONS 492 READ WITH SECTION 476	RS 200,000	THE COMPANY HAS FILED AN APPEAL AGAINST THE ORDER

**STATEMENT OF COMPLIANCE -CORPORATE GOVERNANCE**

1. The total number of directors are 7 (Seven), Comprising:
    - a. Male: - 5 (Five)
    - b. Female - 2 (Two)
  2. The composition of the Board is as follows:
    - a) Independent Directors 2 (two)
    - b) Other Non-executive Directors 4 (four)
    - c) Executive Directors 1 (one)
  3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
  4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
  5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
  6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
  7. The meetings of the board were presided over by the Chairperson and, in her absence, by a director elected by the board for this purpose,. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
  8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
  9. The Company has not been able to arrange Directors' Training program during the year due to its financial constraints
  10. The board has in the normal course approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of. employment and complied with relevant requirements of the Regulations.
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11. The CFO and CEO duly endorsed the financial statements before approval of the board.

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

a) Audit Committee (Name of members and Chairman)	b) HR and Remuneration Committee (Name of members and Chairman)
Chairman - Mr. Syed Ibrahim Ahmad Member : Mrs. Neelum Sohail Shaikh Member : Mrs. Sadia Mohsin Shaikh	Chairman - Mr. Syed Ibrahim Ahmad Member : Mr. Sohail Farooq Shaikh Member : Mrs. Sadia Mohsin Shaikh

c) Nomination Committee (if applicable) Not Applicable

d) Risk Management Committee (if applicable) Not Applicable

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

a) Audit Committee 4

b) HR and Remuneration Committee 2

c) Nomination Committee (if applicable) NA

d) Risk Management Committee (if applicable).NA

14. The Company has an effective internal audit function. The Company's internal auditor has a B.Com degree and 13 years of experience and is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

16. 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

17. The Board has on the recommendation of the Audit Committee, proposed M/s Crowe Hussain Chaudhry & Co to be appointed Auditors for the year ending 30 June 2023 at an agreed remuneration.

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



CHIEF EXECUTIVE OFFICER /  
DIRECTOR

APPROVED BY BOARD ON 25<sup>th</sup> OCTOBER 2022

## PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at 30-06-2022

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1038	1	100	34,626
188	101	500	56,050
51	501	1,000	39,628
61	1,001	5,000	139,542
18	5,001	10,000	115,495
2	10,001	15,000	21,000
3	15,001	20,000	56,119
1	20,001	25,000	20,900
1	35,001	40,000	39,500
2	55,001	60,000	112,824
1	155,001	160,000	155,298
4	320,001	325,000	1,292,900
1	895,001	895,000	894,437
1	1,350,001	1,355,000	1,354,500
<b>1372</b>			<b>4,332,819</b>

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	2,922,034	67.4396%
Associated Companies, undertakings and related parties. (Parent Company)	20,500	0.4731%
NIT and ICP	21,379	0.4934%
Banks Development Financial Institutions, Non Banking Financial Institutions.	16,845	0.3888%
Insurance Companies	3,062	0.0707%
Modarabas and Mutual Funds	766	0.0177%
Share holders holding 10% or more	2,248,937	51.9047%
General Public		
a. Local	1,341,934	30.9714%
b. Foreign	0	0.0000%
Others (to be specified)		
1- Joint Stock Companies	5,299	0.1223%
2- Others	1,000	0.0231%

**Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2022**

Sr. No.	Name	No. of Shares Held	Percentage
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**Associated Companies, Undertakings and Related Parties (Name Wise Detail):**

1	SURIYYA FAROOQ CHARITABLE FOUNDATION	20,000	0.4616
2	ISMAIL FAROOQ INDUSTTEIS (PVT.) LIMITED	500	0.0115

**Mutual Funds (Name Wise Detail)**

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**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MIAN SOHAIL FAROOQ SHAIKH	2,248,937	51.9047
2	MRS. SADDIA MOHSIN	328,439	7.5803
3	MRS. NEELUM SOHAIL	5,869	0.1355
4	MIAN FARRUKH HAROON RASHID	519	0.0120
5	MR. SHAHMEER SHAIKH	6,741	0.1556
6	SYED IBRAHIM AHMAD	500	0.0115
7	MR. SALEEM ASGHAR MIAN	500	0.0115
8	MRS. MEHREEN HAROON RASHID	330,529	7.6285

**Executives:**

		-	-
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**Public Sector Companies & Corporations:**

		-	-
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**Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

		20,673	0.4771
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**Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)**

S. No.	Name	Holding	Percentage
1	MIAN SOHAIL FAROOQ SHAIKH	2,248,937	51.9047
2	MRS. SHARMEEN AZAM	330,729	7.6331
3	MRS. AMBREEN ZAHID BASHIR	330,557	7.6291
4	MRS. MEHREEN HAROON RASHID	330,529	7.6285
5	MRS. SADDIA MOHSIN	328,439	7.5803

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

S.No	NAME	SALE	PURCHASE
1	MIAN SOHAIL FAROOQ SHAIKH	1,000	
2	SYED IBRAHIM AHMAD		500
3	MR. SALEEM ASGHAR MIAN		500

## KEY OPERATING FINANCIAL DATA.

A statement of key operating and financial data of the Company for the last seven years is summarised to the annual report.

PARTICULARS	2022	2021	2020	2019	2018	2017	2016
Net sales						-	-
Cost of sales						-	-
Operating expenses	54,681,597	50,973,991	45,427,732	42,019,311	39,663,624	58,365,685	52,819,466
Other income.	-	10,000	-	1,175,617	351,516	389,780	4,345,069
Earning per share - Rupees	- 12.62	- 11.77	- 10.48	- 9.43	- 9.07	- 15.48	- 12.94
<b>FINANCIAL POSITION</b>							
Equity	770,004,115	823,780,803	728,631,381	773,918,442	(527,578,640)	(493,439,861)	-309,971,864
Reserve on Revaluation of fixed assets				-	1,342,300,767	1,315,194,265	796,458,725
Loan from director	264,100,270	236,149,305	209,270,558	185,418,953	192,657,842	170,265,962	91,484,356
Deferred liabilities	7,435,102	7,415,743	7,178,018	6,323,910	5,720,034	6,003,930	4,720,831
Current liabilities.	463,787,403	445,172,769	428,777,156	414,759,139	371,399,593	359,877,408	314,808,519
	<b>1,505,326,890</b>	<b>1,512,518,620</b>	<b>1,373,857,113</b>	<b>1,380,420,444</b>	<b>1,384,499,596</b>	<b>1,357,901,704</b>	<b>897,500,567</b>
Fixed capital expenditure	1,496,340,650	1,503,127,603	1,363,630,743	1,367,774,830	1,372,317,468	1,345,997,034	816,430,237
Due from associated undertaking	-	-	-	-	-	-	69,037,148
Current assets.	8,986,240	9,391,017	10,226,370	12,645,614	12,182,128	11,904,670	12,033,182
	<b>1,505,326,890</b>	<b>1,512,518,620</b>	<b>1,373,857,113</b>	<b>1,380,420,444</b>	<b>1,384,499,596</b>	<b>1,357,901,704</b>	<b>897,500,567</b>

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
SUHAIL JUTE MILLS LIMITED**

**Opinion**

We have audited the annexed financial statements of Suhail Jute Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2022 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan 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.

**Emphasis of Matter**

We draw attention to note 2.2 of the financial statements, which states that the Company is not a going concern for reasons specified therein, accordingly, the financial statements have been prepared on the basis of estimated settlement values of assets and liabilities. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

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

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Following is the Key audit matter:

No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Loan from director</b> <i>(Refer note 10,11 and 28 to the financial statements)</i></p> <p>As at the year end, the company had outstanding loan from directors amounting to Rs. 264 million, bridge borrowing amounting to Rs. 26 million and mark payable thereon amounting to Rs. 13 million. In the current year, the Company received an additional amount of Rs. 27.9 million and accrued interest of Rs 2.6 million.</p> <p>We have considered this area to be a key audit matter due to its materiality, significance in term of relevance to the preparation of financial statements on non-going concern assumption, related party transaction and judgment involved regarding classification of these loans in accordance with the Technical Release – 32 (Accounting Directors’ loan) issued by Institute of Chartered Accountants of Pakistan.</p>	<p>Our audit procedure amongst others, included:</p> <ul style="list-style-type: none"> <li>- Obtained all minutes of the meetings of the Board of Director’s to confirm that all decision with regards to loans and their respective terms and conditions were duly approved;</li> <li>- Performed test of detail on additional loan obtained during the year;</li> <li>- Obtained direct confirmation from directors to verify the outstanding amounts; and</li> <li>- Assessed the adequacy of the disclosure in the financial statements in this respect.</li> </ul>

**Information Other than the Financial Statements and Auditor’s Report Thereon**

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude whether the alternative basis used by management is acceptable in the circumstances. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use, refer to note no. 2.2 to the financial
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statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Iqbal Hussain.

**Place: Islamabad**

**Date: 25<sup>th</sup> October 2022**

**UDIN: AR202210592jmr28yeVi**

**CROWE HUSSAIN CHAUDHURY & CO**

**(CHARTERED ACCOUNTANTS)**

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**INDEPENDENT AUDITOR'S REVIEW REPORTS  
To the members of Suhail Jute 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 Suhail Jute Mills Limited for the year ended June 30, 2022 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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, 2022.

**Place: Islamabad  
Dated: 27<sup>th</sup> October 2022  
UDIN: CR202210592Wt2zpK6Yq**

**CROWE HUSSAIN CHAUDHURY & CO.  
(CHARTERED ACCOUNTANTS)**

**STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2022**

		2022	2021 (Restated)	As at July 1st 2020 (Restated)
	Note	-----Pak Rupees-----		
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorized Share Capital		50,000,000	50,000,000	50,000,000
Issued, subscribed and paid up capital	6	43,328,190	43,328,190	43,328,190
Revenue reserves	7	(933,718,370)	(886,022,519)	(841,694,540)
Merger reserve		196,362,085	196,362,085	196,362,085
Revaluation Surplus		1,464,032,210	1,470,113,047	1,408,164,530
		<b>770,004,115</b>	<b>823,780,803</b>	<b>806,160,265</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
Staff retirement benefits	8	7,435,102	7,415,743	7,178,018
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	211,245,790	195,248,325	181,469,883
Accrued mark-up		67,175,727	64,558,557	61,941,387
Unclaimed dividend		384,359	384,359	384,359
Loan from director	10	264,100,270	236,149,306	209,270,558
Short term borrowings	11	184,981,527	184,981,527	184,981,528
Provision for taxation	12	-	-	-
		<b>727,887,673</b>	<b>681,322,074</b>	<b>638,047,715</b>
		<b>1,505,326,890</b>	<b>1,512,518,620</b>	<b>1,451,385,998</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5	1,495,386,228	1,502,173,181	1,440,969,627
Long term investment	13	190,000	190,000	190,000
Long term security deposits	18	764,422	764,422	764,422
		<b>1,496,340,650</b>	<b>1,503,127,603</b>	<b>1,441,924,049</b>
<b>CURRENT ASSETS</b>				
Cash and bank balances	14	1,352,633	1,470,407	1,542,788
Advances, prepayments and other receivables	15	2,825,823	2,772,512	3,025,625
Advance income tax		2,756,421	2,412,947	2,148,275
Stores and spares	16	1,433,071	1,910,762	1,920,872
Stock in trade	17	618,292	824,389	824,389
		<b>8,986,240</b>	<b>9,391,017</b>	<b>9,461,949</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	19	-	-	-
		<b>1,505,326,890</b>	<b>1,512,518,620</b>	<b>1,451,385,998</b>

**AUDITORS' REPORT ANNEXED:**

The annexed notes from 1 to 34 form an integral part of these financial statements.

 CHIEF EXECUTIVE OFFICER	 CHIEF FINANCIAL OFFICER	 DIRECTOR
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**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2022**

		2022	2021 (Restated)
	Note	-----Pak Rupees-----	
Sales		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses	20	(46,026,743)	(43,382,985)
Finance cost	21	(8,654,854)	(7,611,006)
Other operating income	22	-	10,000
<b>Loss before taxation</b>		<b>(54,681,597)</b>	(50,983,991)
Income tax expense	12	-	-
<b>Loss after taxation</b>		<b>(54,681,597)</b>	<b>(50,983,991)</b>
<b>Loss per share - basic and diluted</b>	23	<b>- 12.62</b>	<b>- 11.77</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.

 CHIEF EXECUTIVE OFFICER	 CHIEF FINANCIAL OFFICER	 DIRECTOR
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2022**

	2022	2021 (Restated)
	-----Pak Rupees-----	
<b>Loss after taxation</b>	<b>(54,681,597)</b>	<b>(50,983,991)</b>
<b>Other comprehensive income for the year</b>		
Other comprehensive income not to be reclassified to income and expenditure in subsequent periods		
Surplus on revaluation of property, plant and equipment	-	68,124,103
Re-measurement gain on staff retirement benefit	<b>904,909</b>	480,426
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(53,776,688)</u></b>	<b><u>17,620,538</u></b>

The annexed notes from 1 to 34 form an integral part of these financial statements.

 CHIEF EXECUTIVE OFFICER	 CHIEF FINANCIAL OFFICER	 DIRECTOR
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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022	2021 (Restated)
-----Pak Rupees-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(54,681,597)	(50,983,991)
<b>Adjustments for:</b>			
Financial charges		8,654,854	7,445,483
Gain on sale Scrap	22	-	(10,000)
Depreciation	20	6,786,953	6,920,549
Provision against stock in trade		477,691	-
Staff retirement benefit	8	924,268	798,151
		<u>(37,837,831)</u>	<u>(35,829,808)</u>
<b>Working capital changes:</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spare parts	16	-	10,110
Advances, deposits and prepayments	15	(53,311)	253,113
<b>Increase in current liabilities</b>			
Trade and other payables	9	10,042,300	9,035,650
		<u>9,988,989</u>	<u>9,298,873</u>
Cash (used in) operations		<u>(27,848,842)</u>	<u>(26,530,935)</u>
Income tax paid		(343,474)	(264,672)
Financial charges paid		(82,519)	(165,523)
<b>Net cash used in operating activities</b>		<u>(28,274,835)</u>	<u>(26,961,130)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceed from sale of scrap		-	10,000
Purchase of office equipment			
Buyback of shares			
Cash acquired as result of merger			
<b>Net cash flows generated from investing activities</b>		<u>-</u>	<u>10,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from directors		27,950,964	26,878,748
<b>Net cash generated from financing activities</b>		<u>27,950,964</u>	<u>26,878,748</u>
<b>Net decrease cash and cash equivalents</b>		<b>(323,871)</b>	<b>(72,382)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,470,407</b>	<b>1,542,788</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<u><b>1,146,536</b></u>	<u><b>1,470,406</b></u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

 CHIEF EXECUTIVE OFFICER	 CHIEF FINANCIAL OFFICER	 DIRECTOR
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2022**

	Issued, subscribed and paid-up share capital	Revenue reserves				Total	Revaluation Surplus	Merger reserve	Total
		General reserve	Dividend equalization reserve	Fair value reserve	Accumulated loss				
-----Pak Rupees-----									
<b>BALANCE AS AT JUNE 30, 2020</b>	<b>43,328,190</b>	<b>3,380,000</b>	<b>7,490,000</b>	<b>1,251,610</b>	<b>(853,816,150)</b>	<b>(841,694,540)</b>	<b>1,408,164,530</b>	<b>196,362,085</b>	<b>806,160,265</b>
Loss for the year	-	-	-	-	(50,983,991)	(50,983,991)	-	-	(50,983,991)
Other comprehensive income									
Actuarial gain on re-measurement of staff retirement benefit	-	-	-	-	480,426	480,426	-	-	480,426
Revaluation Surplus	-	-	-	-	-	-	68,124,103	-	68,124,103
Effect of incremental depreciation	-	-	-	-	6,175,586	6,175,586	(6,175,586)	-	-
<b>BALANCE AS AT JUNE 30, 2021</b>	<b>43,328,190</b>	<b>3,380,000</b>	<b>7,490,000</b>	<b>1,251,610</b>	<b>(898,144,129)</b>	<b>(886,022,519)</b>	<b>1,470,113,047</b>	<b>196,362,085</b>	<b>823,780,803</b>
Loss for the year	-	-	-	-	(54,681,597)	(54,681,597)	-	-	(54,681,597)
Other comprehensive income									
Actuarial gain on re-measurement of staff retirement benefit	-	-	-	-	904,909	904,909	-	-	904,909
Effect of incremental depreciation	-	-	-	-	6,080,837	6,080,837	(6,080,837)	-	-
<b>BALANCE AS AT JUNE 30, 2022</b>	<b>43,328,190</b>	<b>3,380,000</b>	<b>7,490,000</b>	<b>1,251,610</b>	<b>(945,839,980)</b>	<b>(933,718,370)</b>	<b>1,464,032,210</b>	<b>196,362,085</b>	<b>770,004,115</b>

The annexed notes from 1 to 34 form an integral part of these financial statements.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 1 LEGAL STATUS AND OPERATIONS

Suhail Jute Mills Limited (the Company) was incorporated in Pakistan in 1981 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017). Its shares are quoted on Pakistan stock exchanges in Pakistan. The Company is principally engaged in the business of manufacturing and sale of jute products. The registered office of the Company is situated at 14-B, Civil Lines, Rawalpindi.

The production facilities are situated at Kabul River Railway Station, Mardan Road, Nowshera, Khyber Pakhtunkhwa and GT road, Nowshera, Khyber Pakhtunkhwa consisting of 872 Kanals 3 Marlas and 744 kanals 2 Marlas piece of land respectively.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards

Board (IASB) as notified under the Companies Act, 2017 (the 'Act'); and

- Provisions of and directives issued under the Act.

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

#### 2.2 Non-Going concern basis of accounting

The operations of the Company have been ceased since June 2011, after severe flooding which caused significant damage to production facilities. Afterwards, the Company managed to overhaul its property, plant and machinery but has been unable to finance its working capital requirement to resume operations, thus at present, the Company is solely dependent upon the financial assistance of the director to meet the fixed costs. Accordingly, the Company is no longer a going concern. Moreover, during the year the Company has incurred loss of Rs. 54.68 million and have accumulated losses of Rupees 946 million as on June 30, 2022 and its current liabilities exceeds its current assets by Rs. 718.9 million as on that date.

Moreover, the banking court has issued decrees in favour bankers of the Company for non-repayment of outstanding amount of secured running finance facility. The decrees have been transferred to Peshawar High Court for execution which are pending adjudication, refer notes 11 and 19.3 to the financial statements.

Accordingly, these financial statements have been prepared on the basis of non-going concern assumptions and the historical values of assets and liabilities at the year end have been considered as fair values other than those specifically declared.

#### 2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees (PKR) which is the Company's functional and presentation currency.

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### **3 USE OF ESTIMATES AND JUDGMENTS**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively:

Information about judgments made in applying accounting policies that have significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

#### **3.1 Property, plant and equipment**

The Company reviews the residual values and useful lives of property, plant and equipment on regular basis. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge, impairment and related deferred tax liability.

The fair value of the items on revaluation model was determined based on the market comparable approach that reflects recent transaction prices for similar items which requires significant judgement.

#### **3.2 Provision for inventory obsolescence**

The Company reviews the net realizable value of stock in trade, stores and spare to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated cost to complete and estimated cost to make the sales.

#### **3.3 Taxation**

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

#### **3.4 Provisions and contingencies**

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

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

#### **3.5 Employee retirement benefits**

In determining the liability for long-service payments management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

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#### 4 SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 NEW AND REVISED STANDARDS AND INTERPETATIONS

###### **Standards, amendments and interpretations to existing standards which became effective during the year**

There were certain amendments to the accounting and reporting standards which became mandatory for the Company during the year. However, the amendments did not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

###### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

	<b>Effective date (reporting periods beginning after)</b>
IAS 1 Presentation of Financial Statements (Amendments)	January 01, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2023
IAS 12 Income Taxes (Amendments)	January 01, 2023
IFRS 4 Insurance Contracts (Amendments)	January 01, 2023
IAS 16 Property, Plant and Equipment (Amendments)	January 01, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 01, 2022
IAS 41 Agriculture (Amendments)	January 01, 2022
IFRS 3 Business Combinations (Amendments)	January 01, 2022
IFRS 9 Financial Instruments (Amendments)	January 01, 2022
IFRS 16 Leases (Amendments)	January 01, 2022

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

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

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

The following interpretation issued by the IASB has been waived off by SECP:

IFRIC 12 Service concession arrangements

**4.2 Staff retirement benefits**

The Company operates an unfunded gratuity scheme covering all eligible employees (permanent employees who have completed 6 month of service). Provision is made annually to cover obligations under the scheme in accordance with actuarial recommendations. Projected Unit Credit Method has been used for actuarial valuation.

Actuarial gains and losses (re-measurement gains/losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income and past service cost is recognized in profit and loss when they occur.

**4.3 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the company.

**4.4 Accrued and other liabilities**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the company.

**4.5 Taxation****Current**

Provision for current taxation is based on taxable income of the Company after taking into account rebates, if any, allowable to the Company. In case of loss the tax liability is calculated according to the section 113 of Income Tax Ordinance, 2001.

**Deferred**

Deferred income tax, if any, is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are recognized for all taxable temporary timing differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the timing differences will reverse, based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the cases where it is included in equity.

**4.6 Provision**

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

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#### 4.7 Property, plant and equipment

Free hold land, building, plant and machinery are stated at revalued amount while rest are stated at cost less accumulated depreciation and any identified impairment loss. Cost includes direct cost, related overheads and mark up.

Depreciation on all property and equipment is charged on reducing balance method so as to write off the depreciable amount of an asset over its useful estimated life at the rates mentioned in the note 5.

Any revaluation increase arising on the revaluation of land, buildings and leasehold improvements is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and leasehold improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation buildings and leasehold improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired.

#### 4.8 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances. Cash and bank balances are carried at historical cost except foreign currency which is carried at fair value.

#### 4.9 Stores and spares

These are valued at lower of weighted average cost and net realizable value, except items in transit, which are stated at cost. Provision for slow moving, damaged and obsolete items are charged to the profit or loss. Ageing and value of items of stores and spares are reviewed at each reporting date to record provision for any slow moving, damaged and obsolete items.

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and are carried at cost less accumulated impairment, if any.

#### 4.10 Stock in trade

Stock in trade is stated at the lower of average cost and net realizable value, less allowance for obsolete items.

- Raw material is at moving average purchase cost and directly attributable expenses.
  - Work in process and finished goods is at moving average cost of raw materials and applicable manufacturing expenses.
  - Raw material in transit is at invoice value plus other charges incurred up to the balance sheet date.
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#### 4.11 Contingent liabilities

Contingent liabilities are disclosed when:

- a) there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company; or
- b) there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### 4.12 Financial Instruments

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

##### Recognition and initial measurement

Trade debts are initially recognized when they are originated. All other financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of an instrument.

A financial asset (unless it is a trade debt without significant financing component) or financial liability is initially measured at fair value, plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. A trade debt without a significant financing component initially measured at the transaction price.

##### Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVTOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

###### Financial liabilities-Classification and subsequent measurement

Financial liabilities are measured at amortized cost or FVTPL. A Financial liability is classified as FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

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## **Derecognition**

### **Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

### **Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of modified liability are substantially different, in which case a new financial liability is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

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

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

## **4.13 Revenue recognition**

Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of Jute twine, Gunny bags, Hessian cloth and Rice bags coincides with the title passing to the customer and customer taking physical possession. The Company physically satisfies its performance obligations at a point in time in the amount of revenue recognized relating to performance. For sale of Jute twine, Gunny bags, Hessian cloth and Rice bags the transfer of control usually occurs on delivery of goods to the customer.

## **4.14 Impairment**

### **Impairment of financial assets**

The Company measures loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost after considering the pattern of receipts from and future financial outlook of the counterparty and is reviewed by the management on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the profit or loss.

### **Impairment of non-financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

## **4.15 Trade and other payables**

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

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**4.16 Advances, prepayments and other receivables**

These are recognized at cost, which is the fair value of the consideration given.

**4.17 Long term investments**

These are recognized at cost, which is the fair value of the consideration given.

**4.18 Earnings per share**

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by using profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

**4.19 Other income / finance cost**

Other income comprises gain on disposal of scrap, property, plant and equipment.

Finance cost comprises interest expense on borrowings, Workers' Profit Participation Fund, and bank charges.

**4.20 Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

**4.21 Correction of prior period error**

During the year, significant errors in revaluation of non-current assets arising at the time of merger which went previously unnoticed were identified. The correction of the error is accounted for retrospectively and the corresponding figures for years 2021 and 2020 have been restated. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

**Statement of comprehensive income**

	For the year ended June 30, 2021		
	2021	Additions	2021 (Restated)
	------(Pak Rupees)-----		
Revaluation gain on property, plant and equipments	37,500,000	30,624,103	68,124,103
Depreciation	3,865,359	3,055,190	6,920,549

**Statement of financial position**

	As at July 01, 2020			As at June 30, 2021		
	June 30, 2020	Increase	July 01, 2020 (Restated)	June 30, 2021	Increase	June 30, 2021 (Restated)
	------(Pak Rupees)-----					
Revaluation Surplus	1,334,761,894	73,402,636	1,408,164,530	1,368,951,930	101,161,117	1,470,113,047
Property, plant and equipment	1,363,440,743	77,528,884	1,440,969,627	1,397,075,383	105,097,798	1,502,173,181
<b>Net Impact on equity</b>		<b>4,126,248</b>			<b>3,936,681</b>	

## 5. PROPERTY, PLANT AND EQUIPMENT

Particulars	Free hold land	Building on freehold land	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Library books	Total
<b>Year ended June 30, 2021</b>								
-----Pak Rupees-----								
Opening net book value	<b>1,232,316,197</b>	<b>97,230,504</b>	<b>109,714,915</b>	<b>410,642</b>	<b>1,129,213</b>	<b>168,100</b>	<b>56</b>	<b>1,440,969,627</b>
Revalued amount	1,232,316,197	113,237,198	123,000,000	4,521,885	12,189,978	4,386,865	60,723	1,443,782,432
Accumulated depreciation	-	(16,006,694)	(13,285,085)	(4,111,243)	(11,060,765)	(4,218,765)	(60,667)	(80,341,689)
<b>For the year:</b>								
Additions	-	-	-	-	-	-	-	-
Surplus on revaluation	60,000,000	1,186,411	6,937,692	-	-	-	-	68,124,103
Disposals	-	-	-	-	-	-	-	-
Revalued amount	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Depreciation charge	-	(2,987,559)	(3,745,368)	(41,064)	(112,921)	(33,620)	(17)	(6,920,549)
As at June 30, 2021								
Revalued amount	1,292,316,197	95,500,000	113,000,000	4,521,885	12,189,978	4,386,865	60,723	1,521,975,648
Accumulated depreciation	-	(70,644)	(92,761)	(4,152,307)	(11,173,686)	(4,252,385)	(60,684)	(19,802,467)
<b>Net book value - 2021</b>	<b>1,292,316,197</b>	<b>95,429,356</b>	<b>112,907,239</b>	<b>369,578</b>	<b>1,016,292</b>	<b>134,480</b>	<b>39</b>	<b>1,502,173,181</b>
<b>Depreciation rate</b>	-	1.5% - 3%	3% - 15%	10%	10%	20%	30%	
<b>Year ended June 30, 2022</b>								
Opening net book value	<b>1,292,316,197</b>	<b>95,429,356</b>	<b>112,907,239</b>	<b>369,578</b>	<b>1,016,292</b>	<b>134,480</b>	<b>39</b>	<b>1,502,173,181</b>
Revalued amount/ Cost	1,292,316,197	95,500,000	113,000,000	4,521,885	12,189,978	4,386,865	60,723	1,521,975,648
Accumulated depreciation	-	(70,644)	(92,761)	(4,152,307)	(11,173,686)	(4,252,385)	(60,684)	(19,802,467)
<b>For the year:</b>								
Additions	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revalued amount/ Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Depreciation charge	-	(2,862,881)	(3,758,577)	(36,958)	(101,629)	(26,896)	(12)	(6,786,953)
As at June 30, 2022								
Revalued amount/ Cost	1,292,316,197	95,500,000	113,000,000	4,521,885	12,189,978	4,386,865	60,723	1,521,975,648
Accumulated depreciation	-	(2,933,525)	(3,851,338)	(4,189,265)	(11,275,315)	(4,279,281)	(60,696)	(26,589,420)
<b>Net book value - 2022</b>	<b>1,292,316,197</b>	<b>92,566,475</b>	<b>109,148,662</b>	<b>332,620</b>	<b>914,663</b>	<b>107,584</b>	<b>27</b>	<b>1,495,386,228</b>
<b>Depreciation rate</b>	-	3%	3% - 15%	10%	10%	20%	30%	

- 5.1 Cost of free hold land, building on free hold land and plant and machinery are stated at revalued amounts. The carrying amount of these items of property, plant and equipment measured using the cost model are as under:

	2022			2021		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
-----Pak Rupees-----						
Freehold land	12,519,048	-	12,519,048	12,519,048	-	12,519,048
Building on land	26,049,078	(18,203,612)	7,845,466	26,049,078	(17,960,969)	8,088,109
Plant and Machinery	131,156,789	(121,522,180)	9,634,609	131,156,789	(121,224,202)	9,932,587
Total	169,724,915	(139,725,792)	29,999,123	169,724,915	(139,185,171)	30,539,744

## 5.2 Freehold Land

Freehold Land of the company is situated at Kabul River Railway station, Mardan Road, Nowshera, Khyber Pakhtunkhwa and GT road, Nowshera, Khyber Pakhtunkhwa consisting of 872 Kanals 3 Marlas and 744 Kanals 2 Marlas piece of land respectively.

## 5.3 Building of freehold land

The building and immoveable fixed assets of the company are located as disclosed in note 5.2 of the financial statements.

## 5.4 Building of freehold land

The most recent revaluation of free hold land, building on free hold land and plant and machinery of the Company was carried out on June 21, 2021 by an independent valuer, BFA (Private ) Limited, under the market value basis.

## 6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2022	2021		Note	2022	2021
(Number of shares)				----- Pak Rupees-----	
3,245,000	3,245,000	Ordinary shares of Rs. 10 each issued for cash	6.1	32,450,000	32,450,000
3,245,000	3,245,000			32,450,000	32,450,000
1,087,819	1,087,819	Issued against merger		10,878,190	10,878,190
4,332,819	4,332,819			43,328,190	43,328,190

## 6.1 Shares held by associated

2022	2021		2022	2021
(Number of shares)			----- Pak Rupees-----	
500	500	M Farooq Private Limited	5,000	5,000
20,000	20,000	Surriya Farooq Charitable Foundation	200,000	200,000

All ordinary share holders have same rights regarding voting, board selection, right of first refusal and block voting.

## 7 REVENUE RESERVES

	Note	2022	2021 (Restated)
		----- Pak Rupees-----	
General reserve	7.1	3,380,000	3,380,000
Dividend equalization reserve	7.2	7,490,000	7,490,000
Fair value reserve		1,251,610	1,251,610
Accumulated loss		(945,839,980)	(898,144,129)
		(933,718,370)	(886,022,519)

7.1 This represents amount transferred to the general reserve from Reserve for Participation Term Certificates (PTC) for contingencies created in year 1992.

7.2 This represents the reserve for the purpose of cash and stock dividend at 20 percent of the issued share capital proposed in 1992, but not approved by the shareholders.

## 8 STAFF RETIREMENT BENEFITS

	Note	2022	2021
		----- Pak Rupees-----	
Present value of defined benefit obligation		6,212,261	6,192,902
Deferred liabilities - staff gratuity		1,222,841	1,222,841
		7,435,102	7,415,743

## 8.1 The amounts recognized in the Statement Of Financial Position;

Present value of defined benefit obligation	8.2	6,212,261	6,192,902
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## 8.2 Movement in the present value of defined benefit obligation;

Opening balance		6,192,902	5,875,177
Charge for the year	8.3	924,268	798,151
Actuarial gain		(904,909)	(480,426)
Benefits paid during the year		-	-
		6,212,261	6,192,902

## 8.3 Charge for the year;

	2022	2021
	----- Pak Rupees-----	
Current service cost	304,978	298,761
Interest cost	619,290	499,390
	924,268	798,151

## 8.4 Remeasurement recognized in OCI;

Actuarial gain on re-measurement of defined benefit obligation	<b>904,909</b>	480,426
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## 8.5 The principal actuarial assumptions used in actuarial valuations were as follows;

Valuation discount rate	<b>13.25%</b>	10.00%
Salary increase rate short term (1 year)	<b>13.25%</b>	10.00%
Salary increase rate long term	<b>13.25%</b>	10.00%
Withdrawal rates	<b>High</b>	High
Mortality rates	<b>SLIC 2001-2005</b>	SLIC 2001-2005
Duration	<b>4.24 year</b>	4.50 year
Normal retirement age	<b>60 years</b>	60 years
Effective salary increase date	<b>01.Jul.22</b>	01.Jul.21

## 8.6 Sensitivity analysis

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined obligation at the end of reporting period would have increased / (decreased) as a result of change in respective assumptions:

	Effect of increase/decrease	
	2022	2021
	----- Pak Rupees-----	
Discount rate changed by 1%	<b>5,965,150</b>	5,932,219
Salary rate change by 1%	<b>6,517,354</b>	6,516,340
Withdrawal rates change by 10% / 1 year mortality age set-back / set-forward	<b>6,192,902</b>	6,192,902

The above sensitivity analysis are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be co-related. When calculating the sensitivity of defined benefit obligations to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognized within the balance sheet.

## 8.7 Expected Maturity profile

Particulars	30 June 2022 Undiscounted Payments
Year 1	3,496,276
Year 2	341,847
Year 3	552,060
Year 4	229,109
Year 5	36,109
Year 6 to Year 10	2,029,484
Year 11 and above	9,914,873

## 9 TRADE AND OTHER PAYABLES

	Note	2022	2021
		----- Pak Rupees-----	
Creditors		<b>21,687,523</b>	21,998,582
Accrued expenses	9.1	<b>91,041,678</b>	80,689,003
Security deposits - Utilisable		<b>1,600</b>	1,600
Workers' profit participation fund	9.2	<b>65,034,185</b>	59,079,020
Workers welfare fund		<b>269,503</b>	269,503
Other taxes payable		<b>965,338</b>	717,438
Others		<b>2,685,849</b>	2,933,065
Payable to employees retirement benefits	9.3	<b>29,560,114</b>	29,560,114
		<b>211,245,790</b>	195,248,325

## 9.1 This includes an amount payable to director of the company on account of remuneration 2022: Rs. 79,350,965 (2021: Rs. 68,458,565) and godown rent Rs. 2,981,800 (2021: Rs. 2,981,800) respectively.

	Note	2022	2021
----- Pak Rupees-----			
<b>9.2</b> Worker's Profit Participation fund			
Opening balance		59,079,020	54,250,707
Interest on funds utilized by the Company	<b>9.2.1</b>	5,955,165	4,828,313
		65,034,185	59,079,020
<b>9.2.1</b> Interest on funds utilized by the Company is charged at KIBOR + 2.5%.			
<b>9.3</b> Payable to employees retirement benefits			
Gratuity payable	<b>9.3.1</b>	28,309,686	28,309,686
Provident fund payable	<b>9.3.2</b>	1,250,428	1,250,428
		29,560,114	29,560,114
<b>9.3.1</b> This represent balance of gratuity payable to employees who left after the floods in July, 2010 and have not approached the company for final settlement.			
<b>9.3.2</b> This represents balance of the amount payable to employees that has arisen as result of the discontinuation of the provident fund of the company. Investment out of provident fund has been made in accordance with the provision of section 218 of Companies Act, 2017.			
<b>10 LOAN FROM DIRECTOR</b>		<b>2022</b>	<b>2021</b>
		----- Pak Rupees-----	
<b>Unsecured</b>			
Opening		236,149,306	209,270,558
Loan received		27,950,964	26,878,748
Loan repaid		-	-
Closing		264,100,270	236,149,306
<b>10.1</b> This represents interest free unsecured loan from the director, Mr. Sohail Farooq Shaikh, of the Company payable on demand. The purpose of utilization is to finance company's day to day operations as the company has no other source of income.			
<b>11 SHORT TERM BORROWINGS</b>		<b>2022</b>	<b>2021</b>
		----- Pak Rupees-----	
From banking companies - Secured			
Faisal Bank Limited	<b>11.1</b>	128,809,827	128,809,827
AL Baraka Islamic Bank Limited	<b>11.2</b>	30,000,000	30,000,000
From Director - Unsecured			
Bridge Finance facility - principal		26,171,700	26,171,700
		184,981,527	184,981,527
<b>11.1 Faisal Bank Ltd</b>			
Running finance facility	<b>11.1.1</b>	127,885,527	127,885,527
Finance against imported merchandise	<b>11.1.2</b>	924,300	924,300
		128,809,827	128,809,827
<b>11.1.1</b> Running finance facility of Rs. 128.55 million was sanctioned in June, 2011 and is payable on demand. The facility had been obtained to meet working capital requirements. The rate of mark up is 3 months KIBOR plus 2.91 percent per annum. The facility is secured against first exclusive hypothecation charge for Rupees 100 million on all present and future current assets of the Company and pari passu charge for Rs.280 million on fixed assets of Company including land, building and plant and machinery. The court on petition filed by the Bank ordered a decree in favor of the bank. (Details in Note 19)			
<b>11.1.2</b> Finance against imports facility of Rs. 20 million had been obtained to finance import of raw material, and is payable on demand. The rate of mark up is 3 months KIBOR plus 2.91 percent per annum. The facility is secured against pledge of imported goods in factory godown amounting to Rs. 1,027,000 with built in margin under custody of bank's appointed Maccadam and lien over shipping documents.			
<b>11.2</b> The Company has drawn down Rs. 30 million out of total facility of Rs. 30 million sanctioned in October, 2011. It carries mark up at the rate 6 months KIBOR plus 2.5 percent per annum (if paid with in 180 days) and 3 months KIBOR plus 3 percent per annum (if paid within 90 days). This facility has expired in June, 2012. This facility is also secured against First Pari Passu charge over entire present and future fixed assets of the Company including free hold land and building on free hold land. The court on petition filed by the Bank ordered a decree in favor of the bank. (Details in Note 19)			

11.3 This represents bridge borrowing of amount 26,171,700 at the mark up of 10% which was afterwards refinanced by the director, Mr. Sohail Farooq Shaikh, of the Company payable on demand.

## 12 PROVISION FOR TAXATION

No provision for current taxation has been made due to the reason that the Company has no taxable income. Turnover tax under section 113 of Income Tax Ordinance, 2001 does not apply as the Company has no turnover during the year.

Deferred tax has not been recognised on excessive tax losses including business loss and tax depreciation, because DD can not be utilised in near future due to continuous losses.

## 13 LONG TERM INVESTMENT

at FVTPL - Unquoted

Farooq Energy Company Private Limited  
190 shares (2021: 190) of Rs 1,000 each

	2022	2021
	----- Pak Rupees-----	
	<u>190,000</u>	<u>190,000</u>

## 14 CASH AND BANK BALANCES

Cash in hand

Cash at banks:

- in current accounts

	3,476	32,880
	1,349,157	1,437,527
	<u>1,352,633</u>	<u>1,470,407</u>

## 15 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good:

- Employees

- Expenses

Prepayments

Sarhad Development Authority

Other receivables - considered good

	2022	2021
	----- Pak Rupees-----	
	47,000	47,000
	13,244	3,490
	212,698	172,022
	2,550,000	2,550,000
	2,881	-
	<u>2,825,823</u>	<u>2,772,512</u>

## 16 STORES AND SPARES

Stores

Spares

Less: Provision

	7,606,567	7,606,567
	2,088,936	2,088,936
	9,695,503	9,695,503
20	(8,262,432)	(7,784,741)
	<u>1,433,071</u>	<u>1,910,762</u>

## 17 STOCKS IN TRADE

Raw materials

Less: Provision

	824,389	824,389
20	(206,097)	-
	<u>618,292</u>	<u>824,389</u>

## 18 LONG TERM SECURITY DEPOSITS

Sui Northern Gas Pipeline Limited

Office building security

CSTM Security

	30,000	30,000
	232,482	232,482
	501,940	501,940
	<u>764,422</u>	<u>764,422</u>

**19 CONTINGENCIES AND COMMITMENTS**

- 19.1** The Sarhad Development Authority has filed an appeal in Peshawar High Court against the decision made in the civil suit (No: 180/1) on May 26, 2011 in favor of Suhail Jute Mills Limited for the recovery of an amount of Rs. 2,550,000 against surrender of land measuring six acres situated at Gadoon Industrial Estate, Khyber Pakhtunkhwa. The Sarhad Development Authority had acknowledged the surrender of land and made a payment of Rs. 1,667,343 after deducting charges of Rs. 882,657 which was returned by the Company with the plea that total amount should be refunded. The Company has also filed an appeal before the District Judge, Peshawar against other pleas related to this issue dismissed in the above decision. Hearing is scheduled on October 4, 2022, the matter is subjudice before District Judge, Peshawar.
- 19.2** Income tax demand of Rs. 8,771,178 for the tax year 2010 was raised against the Company under section 161/205 of the Income Tax Ordinance, 2001 which has been remanded back by Commissioner Inland Revenue (appeals) to the Deputy Commissioner Inland Revenue for redetermination of the liability, if any. The proceedings before Deputy Commissioner Inland Revenue has not yet finalized. The management and the tax advisor of the Company do not expect any unfavorable outcome or serious loss to the Company in this case.
- 19.3** The Company had secured running finance from Faysal Bank and Al Baraka Bank as disclosed in note 11.1 to the financial statements. These Banks have filed suits for recovery of all outstanding over due principal and markup amount. Banking Court Rawalpindi issued decree for recovery of 30 million principal and 1 million markup in favor of Al Baraka Bank on 20 February 2015, while the court decreed for recovery of 128.8 million principal and 20.5 million markup in favor of Faysal Bank on 3 May, 2017. The decrees were transferred to Peshawar High Court for execution. The most recent hearing of petition was on 10 September 2022 and the case is still sub judice. Company has made provision of 54 million against markup payable, till date of decrease.
- 19.4** The company is contingently liable in respect of guarantees of Rs. 463,100 issued by the bank in normal course of business.
- 19.5** The Company is in litigation with sales tax authorities circle 1, Rawalpindi for refund of sales tax amounting to Rs. 2.452 million (2021 Rs. 2.452 million). The case is still pending with the Honorable Lahore High Court, Lahore.

**20 ADMINISTRATIVE EXPENSES**

	Note	2022	2021 (Restated)
----- Pak Rupees-----			
Salaries, wages and benefits	20.1	10,242,570	10,282,870
Directors' meeting fee		7,000	10,000
Travelling		451,620	335,394
Motor vehicle running expenses		1,337,701	1,063,161
Entertainment		588,812	550,702
Printing, stationery and related expenses		372,511	331,945
Communication		568,557	536,830
News paper and periodicals		44,907	44,890
Rent, rates and taxes		1,516,314	1,544,328
Utilities and related expenses		7,714,546	6,510,329
Fees and subscription		61,600	790,863
Professional charges		969,230	926,240
Auditor's remuneration	20.2	227,500	227,500
Directors' remuneration	20.3	12,774,746	11,796,953
Depreciation		6,786,953	6,920,549
Provision against stock in trade		477,691	-
Provision against stores and spares		206,097	-
Repairs, maintenance and related expenses		1,229,460	1,125,336
Insurance		169,148	167,750
Miscellaneous		279,780	217,345
		<b>46,026,743</b>	<b>43,382,985</b>

- 20.1** Factory operating expenses for the year have been classified as administrative expenses as the factory remained un-operational and the expenses incurred were of administrative nature.
- This include Gratuity Provision of Rs 924,268/- (2021: Rs 798,151/-).

**20.2 Auditor's remuneration**

	2022	2021
----- Pak Rupees-----		
Statutory audit	175,000	175,000
Semi annual review fee	52,500	52,500
	<b>227,500</b>	<b>227,500</b>

**20.3 Directors' remuneration**

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the Managing Director, Directors and Executives of the Company are given below.

	2022 ----- Pak Rupees-----			2021 ----- Pak Rupees-----		
	Director	Executive	Managing Director	Director	Executive	Managing Director
Fee	7,000	-	-	10,000	-	-
Managerial Remuneration	-	-	7,516,200	-	-	7,000,200
Rented accommodation	-	-	3,376,200	-	-	3,144,600
Travelling and Conveyance	-	-	100,966	-	-	48,000
Communication	-	-	28,235	-	-	32,042
Utilities	-	-	1,753,145	-	-	1,572,111
	<b>7,000</b>	-	<b>12,774,746</b>	10,000	-	11,796,953
Numbers	7	-	1	7	-	1

The Managing Director has also been provided with a Company maintained car, utilities and telephone at his residence.

**21 FINANCE COST**

	2022 ----- Pak Rupees-----	2021 ----- Pak Rupees-----
Mark-up on bridge finance	2,617,170	2,617,170
Interest on workers' profit participation fund	5,955,165	4,828,313
Bank charges	82,519	165,523
	<b>8,654,854</b>	<b>7,611,006</b>

**22 OTHER OPERATING INCOME****Income from assets other than financial assets**

Sale of Scrap	-	10,000
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**23 LOSS PER SHARE**

Loss for the year after taxation	(54,681,597)	(50,983,991)
Weighted average number of ordinary shares	4,332,819	4,332,819
Loss per share	- 12.62	- 11.77

There are no dilutive potential ordinary shares outstanding as at reporting date.

**24 CASH AND CASH EQUIVALENTS**

Cash, cash equivalents and short-term borrowings (used for cash management purposes) include the following for the purposes of the cash flow statement.

	2022 ----- Pak Rupees-----	2021 ----- Pak Rupees-----
Cash and bank balances	1,352,633	1,470,407
Short term running finance	-	-
	<b>1,352,633</b>	<b>1,470,407</b>

## 25 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

**25.1** The Company has not disclosed the fair value for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair values.

**25.2** The Company has exposure to the credit risk, market risk and liquidity risk from its use of financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

### 25.3 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. The maximum exposure to credit risk as at June 30, 2022, along with comparative is tabulated below:

	2022	2021
	----- Pak Rupees -----	
<b>Exposure to credit risk</b>		
Long term investment	190,000	190,000
Advances and deposits	2,825,823	2,772,512
Bank balances	1,349,157	1,437,527
	<b>4,364,980</b>	<b>4,400,039</b>

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

### 25.4 Market Risk

#### Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has no foreign currency exposures.

#### Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2022 the Company's financial instruments mainly affected due to changes in the interest rates on amounts placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effects of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material.

**26 CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's objectives when managing capital are to safeguard the Company's ability to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. The company is not subject to any externally imposed capital requirements.

**27 DISCLOSURE OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	2022	2021
	-----Pak Rupees-----	
Loan from director as at July 1	236,149,306	209,270,558
Loan received - Cash flow change	27,950,964	26,878,748
Loan repaid - Cash flow change	-	-
Non-cash flow changes	-	-
Loan from director as at June 30	<u>264,100,270</u>	<u>236,149,306</u>

**28 RELATED PARTY TRANSACTIONS**

The related parties comprise of key management personnel, entities over which the Company are able to exercise influence and employers funds. All transactions with related parties are carried out at arms length prices except loan from directors determined in accordance with comparable uncontrolled price method. The remuneration of managing director and other executives is given in note 20.3 to the financial statements. Balances outstanding and transaction made with related parties at the year end are as follows:

Related party	Basis of relationship	Percentage of shareholding %
Surriya Farooq Charitable Foundation	Associated company	0.50%
Ismail Farooq Industries private Limite	Associated company	0.01%
Mian Sohail Farooq Sheikh	Key Management personnel	51.92%
Staff retirement benefits fund	Provident fund trust	Nil

	2022	2021
	----- Pak Rupees-----	
<b>Transactions and balances with related parties</b>		
<b>Contribution to staff retirement benefits</b>		
Gratuity - expense charged	924,268	798,151
Gratuity - payment made	-	-
	<u>924,268</u>	<u>798,151</u>
<b>Key management personnel</b>		
<b>Sohail Farooq Sheikh - Managing Director</b>		
<b>Transactions during the year</b>		
Loan received	27,950,964	26,878,748
Interest accrued on bridge finance	2,617,170	2,617,170
Remuneration accrued	12,774,746	11,796,953
	<u>43,342,880</u>	<u>41,292,871</u>
<b>Balances at year end</b>		
Loan from director	28.1 264,100,270	236,149,306
Bridge finance facility	28.2 26,171,700	26,171,700
Remuneration payable	79,350,965	68,458,565
Godown rent	2,981,800	2,981,800
	<u>372,604,735</u>	<u>333,761,371</u>

**28.1** The maximum amount due as at the end of any month during the year was Rs. 264,100,270.

**28.2** The maximum amount due as at the end of any month during the year was Rs. 39,261,151.

	2022 Kgs	2021 Kgs
<b>29 PRODUCTION DATA</b>		
Normal capacity on 360 days basis	<u>6,000,000</u>	<u>6,000,000</u>
Production achieved during the year		
Sacking cloth	-	-
Hessian cloth	-	-
Twine	-	-
	<u>                    </u>	<u>                    </u>

It is difficult to describe precisely the production capacity of a Jute mill since it fluctuates widely depending on the pattern of production and number of shifts worked in a particular year. The production facilities of the Company remained idle throughout the year due to non availability of raw material.

### 30 ENTITY-WIDE INFORMATION

30.1 The Company constitutes of a single reportable segment, the principal classes of products are Jute Twine, Gunny Bags, Hessian Cloth and Rice bags.

30.2 The Company's principal classes of products accounted for the following percentages of sales:

	2022	2021
Jute Twine	0.00%	0.00%
Gunny bags	0.00%	0.00%
Hessian cloth	0.00%	0.00%
Others	0.00%	0.00%
	<u>0.00%</u>	<u>0.00%</u>

### 30.3 Information about geographical areas

The Company does not hold non-current assets in any foreign country.

### 30.4 Information about major customers

The Company has not made sales to any major external customers which tantamount to 10 percent or more of the entity's revenue.

### 31 NUMBER OF EMPLOYEES

	2022	2021
Total number of employees as at year end	<u>59</u>	<u>62</u>
Average number of employees during the year	<u>59</u>	<u>62</u>

### 32 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, for better presentation and clarification. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to
Staff retirement benefits	Current liabilities	Non-Current liabilities
Long term security deposits	Current assets	Non-Current assets
Bridge finance facility (markup)	Short term borrowings	Accrued mark-up
Advance income tax	Advances, prepayments and other receivables	Advance income tax (presented on face of statement of financial position)

### 33 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 25th October 2022 by the Board of Directors of the Company.

### 34 GENERAL

In these financial statements figures have been rounded off to the nearest rupee.

 CHIEF EXECUTIVE OFFICER	 CHIEF FINANCIAL OFFICER	 DIRECTOR
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25.1.1 The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

**On-balance sheet financial instruments**

	Carrying amount			Fair value			
	Amortized Cost	FVTPL	Total	Level 1	Level 2	Level 3	Total
----- Pak Rupees-----							
<b>30 June 2022</b>							
<b>Financial assets as per Statement Of Financial Position</b>							
Long term investment	-	190,000	190,000	-	-	-	-
Long term security deposits	764,422	-	764,422	-	-	-	-
Advances and deposits	2,613,125	-	2,613,125	-	-	-	-
Bank balances	1,352,633	-	1,352,633	-	-	-	-
	<u>4,730,180</u>	<u>190,000</u>	<u>4,920,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Trade and other payables</b>	<b>211,245,790</b>	<b>-</b>	<b>211,245,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accrued mark-up	67,175,727	-	67,175,727	-	-	-	-
Unclaimed dividend	384,359	-	384,359	-	-	-	-
Loan from directors	264,100,270	-	264,100,270	-	-	-	-
Short term borrowings - secured	184,981,527	-	184,981,527	-	-	-	-
	<u>727,887,673</u>	<u>-</u>	<u>727,887,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
----- Pak Rupees-----							
<b>30 June 2021</b>							
<b>Financial assets as per Statement Of Financial Position</b>							
Long term investment	-	190,000	190,000	-	-	-	-
Advances and deposits	2,600,490	-	2,600,490	-	-	-	-
Long term security deposits	764,422	-	764,422	-	-	-	-
Bank balances	1,470,407	-	1,470,407	-	-	-	-
	<u>4,835,319</u>	<u>-</u>	<u>5,025,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Trade and other payables</b>	<b>195,248,325</b>	<b>-</b>	<b>195,248,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accrued mark-up	64,558,557	-	64,558,557	-	-	-	-
Unclaimed dividend	384,359	-	384,359	-	-	-	-
Loan from directors	236,149,306	-	236,149,306	-	-	-	-
Short term borrowings - secured	184,981,527	-	184,981,527	-	-	-	-
	<u>681,322,074</u>	<u>-</u>	<u>681,322,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 25.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	Five years onwards
	-----Pak Rupees-----					
<b>2022</b>						
Trade and other payables	211,245,790	211,245,790	211,245,790	-	-	-
Accrued mark-up	67,175,727	67,175,727	67,175,727	-	-	-
Unclaimed dividend	384,359	384,359	384,359	-	-	-
Loan from directors	264,100,270	264,100,270	264,100,270	-	-	-
Short term borrowings - secured	184,981,527	184,981,527	184,981,527	-	-	-
	<u>727,887,673</u>	<u>727,887,673</u>	<u>727,887,673</u>			
<b>2021</b>						
Trade and other payables	195,248,325	195,248,325	195,248,325	-	-	-
Accrued mark-up	64,558,557	64,558,557	64,558,557	-	-	-
Unclaimed dividend	384,359	384,359	384,359	-	-	-
Loan from directors	236,149,306	236,149,306	236,149,306	-	-	-
Short term borrowings - secured	184,981,527	184,981,527	184,981,527	-	-	-
	<u>681,322,074</u>	<u>681,322,074</u>	<u>681,322,074</u>			

**ANNUAL GENERAL MEETING OF SUHAIL JUTE MILLS LIMITED  
FORM OF PROXY**

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of Suhail Jute Mills Limited and holder of \_\_\_\_\_ Ordinary shares as per Share Register Folio Number: \_\_\_\_\_ hereby appoint \_\_\_\_\_, CNIC Number \_\_\_\_\_, of \_\_\_\_\_ as my Proxy to attend, speak and Vote at the Annual General Meeting of the Company to be held on Saturday 26<sup>th</sup> November 2022, and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

**Witnesses:**

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
CNIC/Passport No. _____	CNIC/Passport No. _____

CDC Account No. (If Applicable)

Revenue Stamp of PKR 5/-

To be signed by the above named shareholder

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**Notes:**

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