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2021

ANNUAL REPORT

Chenab
LIMITED

CONTANTS

Company Information

Chairman	Mian Muhammad Latif
Chief Executive	Mr. Muhammad Naeem
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Faisal Latif Mr. Tariq Ayoub Khan Mr. Masood Ul Hassan Mr. Muhammad Hashim Mr. Muhammad Salman Javed
Nominee Director	Mrs. Sobia Chughtai
Major Bankers	Allied Bank Limited. Askari Bank Limited. Al Baraka Bank (Pakistan) Limited. Citibank, N.A. Faysal Bank Limited. First Credit & Investment Bank Limited. Habib Bank Limited. Habib Metropolitan Bank Limited. KASB Bank Limited. National Bank of Pakistan. NIB Bank Limited. Orix Leasing (Pakistan) Limited. Pak Oman Investment Company Limited. Pak Kuwait Investment Company (Pvt.) Limited. Pak Libya Holding Company (Pvt.) Limited. Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd. Silk Bank Limited. Standard Chartered Bank (Pakistan) Limited. The Bank of Punjab. United Bank Limited.
Chief Financial Officer	Mr. Faisal Ali Sarwar
Company Secretary	Muhammad Arshad
Auditors	RSM Avais Hyder Liaquat Nauman Chartered Accountants.
Shares Registrar	F.D. Registrar Services (SMC-Pvt.) Limited Office # 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Tel :021-32271905-6/021-354 78192-3
Registered Office	Nishatabad, Faisalabad. Tel:+92 41 8754472-8 Fax:+92 41 8752400, 8752700
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	-Spinning Unit- Toba Tek Singh. -Weaving Unit- Kharianwala, Distt: Sheikhupura. -Weaving Unit- Shahkot, Distt: Nankana Sahib. -Processing & Stitching Units - Nishatabad, Fsd.

Vision

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

Mission Statement

- To be the business house of first choice for customers.
- To be a change leader.
- To produce innovative, relevant and cost effective products.
- Setting and maintaining high standards.
- To earn profits by achieving optimum level of production by using stateof are technologies.
- To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- To meet social and cultural obligations towards society being a patriotic and conscientious corporate citizens.

Financial Highlights

	2021	2020	2019	2018	2017	2016	2015
Operational performance							
Sales-net	-	-	360,869,643	915,909,663	1,764,452,242	2,007,632,402	2,213,846,121
Cost of sales	-	-	(430,828,397)	(1,081,014,516)	(2,493,140,675)	(2,259,157,207)	(2,575,659,197)
Gross profit	-	-	(69,958,754)	(165,104,853)	(728,688,433)	(251,524,805)	(361,813,076)
Operation (loss) / profit	(144,480,491)	(149,267,541)	(155,039,514)	(303,610,504)	(868,913,029)	(403,287,485)	(523,972,039)
Profit / (loss) before taxtion	1,019,812,487	(81,248,670)	145,625,462	(261,067,736)	(970,675,503)	(379,229,841)	(466,824,482)
Profit / (loss) after taxtion	999,742,641	(96,579,788)	141,364,554	(281,858,960)	(992,228,304)	(389,703,307)	(479,385,251)
Financial position							
Property,Plant and equipment	9,651,578,837	9,729,874,102	10,717,044,490	10,993,406,655	11,185,697,330	10,848,915,539	11,052,466,480
Right-of-use assets	169,522,097	171,248,441	173,047,260	-	-	-	-
Investment Property	873,060,285	889,195,976	-	-	-	-	-
Long term deposits	11,738,715	11,738,715	12,636,768	12,636,768	12,636,768	12,636,768	12,636,768
Fixed capital expenditure	10,705,899,934	10,802,057,234	10,902,728,518	11,006,043,423	11,198,334,098	10,861,552,307	11,065,103,248
Current assets							
Store,spare parts and loose tools	28,743,953	28,743,953	28,743,953	36,190,798	67,364,712	422,273,351	424,702,996
stocks in trade	230,000	230,000	230,000	29,794,979	32,775,124	334,657,862	445,370,174
Other current assets	95,648,347	139,577,791	138,395,255	1,838,023,531	1,820,136,526	1,824,969,368	1,836,360,526
Cash and cash equivalents	34,341,523	12,917,307	17,565,397	18,790,040	28,422,073	24,231,624	27,300,940
	158,963,823	181,469,051	184,934,605	1,922,799,348	1,948,698,435	2,606,132,205	2,733,734,636
Total assets	10,864,863,757	10,983,526,285	11,087,663,123	12,928,842,771	13,147,032,533	13,467,684,512	13,798,837,884
Current liabilities							
Short term bank borrowing	4,344,992,444	4,344,992,444	4,344,992,444	4,344,994,597	4,342,498,926	4,988,748,313	5,785,580,429
Currant portion of long term financing/lease liabilities	3,855,894,245	3,557,894,245	3,104,745,818	2,981,041,297	2,784,877,799	2,757,064,088	2,675,538,035
Other current liabilities	1,040,371,780	2,154,526,358	2,164,051,501	3,239,709,865	3,133,986,777	2,842,070,097	2,385,469,560
	9,241,258,469	10,057,413,047	9,613,789,763	10,565,745,759	10,261,363,502	10,587,882,498	10,846,588,024
Net working capital	1,623,605,288	926,113,238	1,473,873,360	2,363,097,012	2,885,669,031	2,879,802,014	2,952,249,860
Non-current liabilities	1,350,079,426	1,653,575,144	2,351,752,556	3,410,477,832	3,672,011,347	3,270,026,044	3,026,454,436
Shareholder's equity	273,525,862	(727,461,906)	(877,879,196)	(1,047,380,820)	(786,342,316)	(390,224,030)	(74,204,576)
Profiability analysis							
Gross profit / (loss) to sale (%)	-	-	(19.39)	(18.03)	(41.30)	(12.53)	(16.34)
Net profit / (loss) to sale (%)	-	-	39.17	(28.50)	(55.01)	(18.89)	(21.09)
Return on Investment (%)	9.34	(0.89)	1.30	(0.16)	(7.55)	(2.89)	(3.47)
Return on equity (%)	365.50	13.28	(16.10)	1.99	15.15	6.97	9.14
Earnings per share(Rupees)	8.49	(0.84)	1.23	(0.18)	(8.63)	(3.39)	(4.17)
Financial analysis							
Current ratio(time)	0.02	0.02	0.02	0.18	0.19	0.25	0.25
Debt to equity (time)	34.87	(7.14)	(11.13)	(6.09)	(0.84)	(0.91)	(0.91)
Total Debt to Total Assets	0.88	0.47	0.88	0.49	0.42	0.38	0.35
Total Debt to Fixed Assets	0.89	0.48	0.90	0.58	0.49	0.47	0.43

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 37th Annual General Meeting of the shareholders of the Company will be held at 11.30 A.M. on Monday the 09th October, 2023 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

ORDINARY BUSINESS

1. To confirm the Minutes of the last meeting dated July 17, 2023.

2. To consider and approve the annual audited financial statements of the company for the year ended June 30, 2021 along with auditor's report and directors report thereon M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad.

3. The shareholders have already approved the appointment of External Auditors M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, 478-D, Peoples Colony No.1, Faisalabad for financial year 2022 in the last AGM held on 17-07-2023.

4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

FAISALABAD
SEPTEMBER 15, 2023

(MUHAMMAD ARSHAD)
COMPANY SECRETARY

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.

2. Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.

3. All other members should bring their Original Computerized National Identity Cards for identification purpose.

4. The shareholders are requested to notify the company immediately the change in their address, if any.

DIRECTORS REPORT TO THE MEMBERS

The directors take the opportunity to place before you report and audited accounts of the company for the year ended June 30, 2021, when the affairs of the Company were run by the Joint Official Liquidators appointed by the Court.

REVENUE

The main revenue during this period was generated from the rental of certain business assets as the company was under liquidation. The core activity of sales and purchases was not carried out during this period too. The liquidator carried out day-to-day operational expenses to maintain the security of the assets along with some legal expenses out of these revenues.

FINANCIAL RESULTS

The financial results for the year ended June 30, 2021, with comparative figures, are as follows: -

	2021 Rupees	2020 Rupees
Sales	-	-
Cost of sales	-	-
Gross loss	-	-
Operating expenses		
Selling and distribution expenses	-	-
Administrative expenses	(144,480,491)	(149,267,541)
	(144,480,491)	(149,267,541)
Operating Loss	(144,480,491)	(149,267,541)
Other income	1,164,322,567	68,204,934
Finance cost	(29,589)	(186,063)
Profit/(loss) before taxation	1,019,812,487	(81,248,670)
Provision for taxation	(20,069,846)	(15,331,118)
Profit/(loss) for the year after taxation	999,742,641	(96,579,788)
Earnings per share- Basic& diluted	8.49	(0.84)

TO RATIFY BOARD'S RESOLUTION (S)

To ratify the Board's resolutions passed by the Directors by way of circulation under clause 78 of the Articles of Association of the Company since the holding of the last meeting i.e 22-06-2023.

MATERIAL EVENTS

i) After the approval of the Scheme of Arrangement the sponsors tried their best to improve the financial health of the company. The main objective was to make it more sustainable. To achieve this goal sponsors approached related parties to help the company, through allowing writing off receivables. The related parties keeping in view of the difficulties of the company has allowed to write off their outstanding balances. This has resulted into the profit for the year and company has achieved a positive equity.

ii) The Company was under liquidation since 13-07-2017 but the management filed a Scheme of Arrangement for the revival of Company. The Scheme of Arrangement got approved from the court on 14-09-2021. With the grace of the almighty company has successfully implemented the Scheme of Arrangement.

iii) Under the Scheme of Arrangement new Bank Accounts were opened with Habib Bank Limited, Circular Road, Faisalabad. Up till the signing of this report, an amount of Rs.669.517 million was adjusted against the total principal liability of the company. Sponsors loan at Rs.350 million was also deposited in HBL Account and the same was subordinated to the total loans of the banks. Sponsors have sold their own shareholding to an investor to generate funds for the company.

FUTURE PROSPECTS

1) The next year i.e 2021-22 was partially under liquidation period. Reversal of liquidation order took place on 29-10-2021 thereafter the management of the company was handed over to its original sponsors. The sponsors then started the BMR and rehabilitation process. The Company finally started its commercial operation after completing overhauling and necessary BMR on 01-04-2022.

2. Working Capital required during initial years have also been arranged through sponsors' loan, the sale of non-core assets of the company the banks also committed to providing fresh export-based working capital limits as per requirements.

3. The company has a huge production capacity and due to limited working capital arrangements during the initial years entire capacity cannot be used for its own exports/sales. Therefore; the management has planned to run the available capacity on a toll manufacturing basis. The company has a good reputation for quality products. With the Grace of the Almighty, the management has achieved the planned/desired production capacity utilisations under different segments with the approval of the revival Scheme, a realistic assumptions-based repayment schedule on the basis of the actual repayment capacity of the company has been worked out with all lender banks/DFIs of the company. During the next 14 years, no heavy markup like in the past is required to be paid by the company.

EXPLANATION TO AUDITORS' OBSERVATIONS

(a) Redemption of preference shares liabilities has been settled in the Scheme of Arrangement as Under:-

I. Each of the following Lenders currently hold preference shares of the following outstanding amounts (based on the share's face value):

Lenders	Paid-up and outstanding amount of preference Shares at Face Value
Habib Bank Limited	PKR 100,000,000
Askari Bank Limited	PKR 100,000,000
National Bank of Pakistan	PKR 100,000,000

II. The abovementioned amounts will be repaid to each of the Lenders (and any other preference shareholders) in equal quarterly installments (over a three (3) year period commencing from the first calendar quarter end to occur after the repayment of the total Principal Debt in 14 years.

III. Some of the preference shareholders are in litigation with the company on the conversion formula. As the matter is under litigation therefore till the outcome of the case preference share cannot be converted into ordinary shares hence diluted EPS cannot be calculated.

(b) Majority of the preference shareholders have opted to convert their shares into ordinary shares but the matter is pending with court, Reference Note:- 4.3.

(c) No deferred tax liability has been provided during the year because the management feels that in coming years at the start of the commercial operations and after the complete implementation of the SOA the deferred tax assets will be created and the same will be reversed.

(d&e) The company circulated the confirmation letters to all the selected parties by the auditor. The Company remained non-operational for a long period of time therefore some parties were not responding which was beyond our control.

(f) The company has properly disclosed the outstanding liability

(g) In view of the Scheme of Arrangement no accrual of markup is required and a copy of the same is provided to the auditors. Refer to Note no 40

(h) The company was under liquidation and the joint liquidator has to operate under the instruction of the court therefore this revaluation was carried out at that particular date by them.

(i) To fulfill the daily requirements of the company the Joint Official Liquidator has rented some of the key assets. They did not carry out the valuation at that time. However, the company management now disclosed the assets under investment property as per the requirement of the IAS.

(j&l) The physical verification of stocks, Cash in hand, and others could not be done due to the liquidation of the company.

(k) The company is hopeful that it will receive the outstanding amount. The company's management is now following up with the customer for the recovery. Therefore, need no adjustment in these balances.

(m) The company was under liquidation and was not operational during the year under reference. The profit is due to reversal of some accounting entries. No profit from operational activities was generated. Moreso due to non operational nature during that year No real workers were employed by the company.

CORPORATE SOCIAL RESPONSIBILITY

Because of the liquidation of the Company in the year under report, the disclosure of the above-said information is ignored in these Accounts

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2021, including the information under the code of corporate governance for ordinary and non-voting cumulative preference shares, is annexed.

BOARD OF DIRECTORS AND THEIR MEETING

Because of the liquidation of the Company the powers of the Board existing at the time of liquidation order has been ceased under Section 365 of the Companies Act, 2017 therefore no meeting was conducted.

AUDIT COMMITTEE

Because of the liquidation of the Company in the year under report, Audit Committee was not functional.

CODE OF CORPORATE GOVERNANCE

Provisions of the code of Corporate Governance were not applicable in view of the liquidation of the Company in the year under report.

AUDITORS

The Company's Board has already approved the appointment of External Auditor to M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants, Faisalabad for financial year 2022 in the last Board's Meeting held on 22-06-2023.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, and financial institutions.

NOTE:-

Since Chief Executive Officer is out of Country on the day of Board's meeting hence Directors report has been signed by the two Directors u/s 232 of the Companies Act, 2017.

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For and on behalf of
BOARD OF DIRECTORS

FAISALABAD
September 15, 2023

(MUHAMMAD FAISAL LATIF)
(DIRECTOR)

(MIAN MUHAMMAD JAVAID IQBAL)
(DIRECTOR)

ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز آپ کے سامنے 30 جون 2021ء کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈٹ شدہ اکاؤنٹس کی رپورٹ پیش کرنے کا موقع لیتے ہیں اس مالی سال میں کمپنی کے معاملات کے عدالت کے ذریعے مقرر کردہ جوائنٹ آفیشل لیکویڈیٹرز کے ذریعے دیکھے گئے۔

ریونیو:۔

کمپنی کے زیر تحلیل ہونے کی وجہ سے اس عرصہ میں ریونیو کمپنی کے اثاثوں کو کرایہ پر دینے کی وجہ سے حاصل ہوا۔ اس عرصہ میں خریداری اور بیچنے کی کاروباری سرگرمیاں نہ ہوئی۔ لیکویڈیٹرز کے روزانہ کی بنیاد پر ہونے والے اخراجات بشمول سکیورٹی سٹاف اور قانونی اخراجات میں آمدن سے کئے۔

مالیاتی نتائج:۔

تقابلی اعداد و شمار ختم ہونے والے مالی سال 30 جون 2021ء کے نتائج حسب ذیل ہیں۔

	2021/روپے	2020/روپے
سیلز	---	---
لاگت برائے سیلز	---	---
مجموعی نقصان	---	---
اخراجات	---	---
فروخت اور تقسیم اخراجات	---	---
انتظامی اخراجات	(144,480,491)	(149,267,541)
	(144,480,491)	(149,267,541)
جاری نقصان	(144,480,491)	(149,267,541)
دیگر آمدنی	1,164,322,567	68,204,934
مالیاتی لاگت	(29,589)	(186,063)
ٹیکس سے پہلے منافع / نقصان	1,019,812,487	(81,248,670)
متعین کردہ ٹیکس	(20,069,846)	(15,331,118)
ٹیکس کے بعد سال کا منافع / نقصان	999,742,641	(96,579,788)
بنیادی اور تحلیل شدہ فی حصہ آمدن	8.49	(0.84)

بورڈ کی قراردادوں کی توثیق:۔

گذشتہ میٹنگ 22-06-2023 کے انعقاد کے بعد کمپنی کے آرٹیکلز آف ایسوسی ایشن کی شق 78 کے تحت سرکولیشن کے ذریعے ڈائریکٹرز کی قراردادوں کی حاصل کردہ منظوری کی توثیق کرنا۔

نمایاں واقعات:۔

(i)۔بندوبست کی گئی سکیم کی منظوری کے بعد سپانسرز نے کمپنی کی مالی حالت کو بہتر کرنے کیلئے ممکنہ حد تک کوشش کی جس کا مقصد کمپنی کو مالی لحاظ سے زیادہ سے زیادہ بہتر کرنے کا تھا۔ اس مقصد کیلئے سپانسرز نے متعلقہ کاروباری پارٹیز سے مدد لینے کیلئے رجوع کیا تا کہ واجب الادا رقوم کو ختم کیا جائے ان پارٹیز نے کمپنی کی مشکلات کے پیش نظر اجازت دے دی کہ انکے بقایا رقوم کو ختم کیا جائے۔اس وجہ سے موجودہ سال میں نفع ہو گیا ہے اور کمپنی کی راس مثبت ہو گئی ہے۔

(ii)۔کمپنی مورخہ 2017-07-13 سے زیر تحلیل تھی۔لیکن انتظامیہ نے بندوبست کی گئی سکیم کمپنی کو بحالی کیلئے دائر کر دی تھی اور یہ سکیم مورخہ 2021-09-14 کو عدالت عالیہ نے منظور کر لی تھی۔اللہ تعالیٰ کے فضل و کرم سے یہ سکیم کامیابی سے مکمل کر لی گئی ہے۔

(iii)۔اس بندوبست کی گئی سکیم کے تحت نئے بینک اکاؤنٹس حبیب بینک لمیٹڈ سرکلر روڈ فیصل آباد میں کھلوائے گئے ہیں جن میں اس رپورٹ کے دستخط ہونے تک مبلغ 669-517 ملین روپے کمپنی کے واجبات کی مد میں ایڈجسٹ کئے گئے۔سپانسرز نے 350 ملین روپے حبیب بینک میں جمع کروا دیئے ہیں جو کمپنی کے تمام قرضہ جات کی دوسرے درجہ میں شمار ہو گا۔ کمپنی کیلئے فنڈز کی دستیابی کے لئے سپانسرز نے ایک انویسٹر کو اپنے شیئر فروخت کر دیئے ہیں۔

مستقبل کا کیفیت نامہ:۔

(i)۔اگلے مالی سال 22-2021 میں کمپنی جزوی طور پر زیر تحلیل رہی۔مورخہ 2021-10-29 کو عدالت نے کمپنی کے تحلیل ہونے کا حکم نامہ واپس لے لیا تھا۔جس کے بعد کمپنی اصل مالکان کے حوالے کر دی گئی تھی تب اصل مالکان نے کمپنی کے اثاثوں کی مرمت اور بحالی کا کام شروع کیا اور بلا آخر مورخہ 2022-04-01 کو مرمت اور بحالی کے بعد کاروباری پروڈکشن شروع کر دی تھی۔

(ii)۔ابتدائی طور پر سرمایہ کی ضرورت کو سپانسرز کے قرضہ اور غیر پیداواری اثاثوں کی فروخت سے حاصل کر لیا ہے۔تاہم بینکوں نے ضرورت کے تحت برآمدی آرڈرز کے لئے سرمایہ فراہم کرنے کا وعدہ بھی کیا ہے۔

(iii) سرمایہ کی کمی کے باعث برآمدی آرڈرز دستیاب شدہ پروڈکشن کی صلاحیت کے پیش نظر حاصل نہ کی گئی ہے۔اس لئے انتظامیہ نے دستیاب شدہ وسیع پروڈکشن کو دوسرے گاہکوں کے لئے مہیا کرنے کا فیصلہ کیا ہے۔کمپنی اعلیٰ معیار کی مصنوعات بنانے کی شہرت یافتہ ہے۔اللہ تعالیٰ کے فضل و کرم سے کمپنی نے مختلف پیداواری مراحل پر مشتمل پیداواری صلاحیت حاصل کی ہے۔بندوبست کی گئی سکیم کے تحت اب حقیقت پر مبنی قرضوں کی ادائیگی اور دستیاب پروڈکشن صلاحیت کو بروئے کار لانے کے لئے عملی جامع کا منصوبہ قرض فراہم کرنے والے بینکس اور مالیاتی اداروں کو دے دیا ہے آنے والے چودہ سالوں میں ماضی کی طرح بھاری سود نہیں ادا کیا جائے گا۔

آڈیٹرز کے خدشات پر وضاحت:۔

(A)۔ترجیحی حصص کی ذمہ داریوں کا ازالہ بندوبست کی گئی سکیم میں حسب ذیل کیا گیا ہے۔

	قرض دینے والے	فیس ویلیو پر ترجیحی حصص کی ادائیگی اور بقایا رقم
(i)	حبیب بینک لمیٹڈ	-/100,000,000 پاکستانی روپے
(ii)	عسکری بینک لمیٹڈ	-/100,000,000 پاکستانی روپے
(iii)	نیشنل بینک آف پاکستان	-/100,000,000 پاکستانی روپے

مذکورہ بالا رقوم ہر ایک ترجیحی شیئرز پر قرضہ دینے والوں کو یا اسی طرح ترجیحی شیئرز رکھنے والوں کو تین برابر کی اقساط میں پرنسپل قرضہ 14 سال میں ادا ہونے کے بعد تین سال بعد ادا کی جائیگی۔کچھ ترجیحی حصہ داران نئے کنورشن فارمولا کو عدالتوں میں لے گئے ہیں۔چونکہ یہ معاملہ عدالتوں میں ہے اس لئے حتمی فیصلہ تک ترجیحی شیئرز عام شیئرز میں تبدیل نہیں ہوسکتے اس لئے DILUTED EPS وضع نہیں کی جاسکتی۔

(B)۔ترجیحی حصص رکھنے والے زیادہ مقدار میں حصہ داران نے ان شیئرز کو آرڈنیری شیئرز میں تبدیل کرنے کے لئے اپنی مرضی ظاہر کر دی ہے۔لیکن یہ معاملہ ابھی عدالت میں زیر التوا ہے۔بحوالہ ریفرنس 3-4۔

(C)۔ڈیفرڈ ٹیکس کی رقوم مہیا نہیں کی گئی چونکہ انتظامیہ محسوس کرتی ہے کہ آنے والے سالوں میں کمرشل کاروباری سرگرمیاں شروع ہو جائیں گی اور بندوبست کی گئی سکیم کے مکمل نافذ العمل ہونے کے بعد ڈیفرڈ ٹیکس اثاثے وجود میں آئیں گے اور ڈیفرڈ ٹیکس کی رقم واپس ہو جائیگی۔

(D&E)۔کمپنی نے بیلنس کنفرمیشن کیلئے آڈیٹرز کے منتخب کردہ پارٹیز کو خطوط بھیجے ہیں۔چونکہ کمپنی لمبے عرصہ تک غیر فعال رہی ہے اس لئے کچھ پارٹیز نے ان خطوط پر کوئی جواب نہیں دیا اور یہ معاملہ کمپنی کے دائرہ کار سے باہر ہے۔

(F)۔ادا کرنے والی رقوم کو مناسب طور پر دکھایا گیا ہے۔

(G)۔ بندوبست کی گئی سکیم کی وجہ سے مارک اپ کی رقم مہیا نہیں کی گئی۔ یہ سکیم آڈیٹرز کو مہیا کر دی گئی ہے بحوالہ نوٹ نمبر 40۔

(H)۔ زیرِ تحلیل کمپنی کو لیکوڈیٹرز نے عدالت عالیہ کے تحت چلانا تھا اس وجہ سے اثاثوں کی ری ویلیوایشن ایک مقررہ وقت تک کرائی گئی۔

(i)۔ روزمرہ کی ضروریات کے تحت لیکوڈیٹرز نے کمپنی کے کچھ اثاثے کرایہ پر دیئے تھے۔ اس وقت ان اثاثوں کی ویلیوایشن نہ کرائی گئی۔ تاہم انتظامیہ نے انوسمینٹ پراپرٹی ہیڈ کے تحت ان اثاثوں کو IAS سٹینڈرز کے تحت دکھایا ہے۔

(J&L)۔ کمپنی کے زیرِ تحلیل ہونے کی وجہ سے سٹاک کیش ان ہینڈ اور دیگر معاملات کی تصدیق نہ ہو سکی۔

(K)۔ انتظامیہ پرُ اُمید ہے کہ واجب الوصول رقم مل جائیگی۔ اب انتظامیہ رقوم کی وصولی کے لئے سرگرم عمل ہے لہذا ان رقوم کو ختم کرنے کی ضرورت نہیں ہے۔

(M)۔ زیرِ بحث مالی سال میں کمپنی زیرِ تحلیل تھی اور غیر فعال تھی۔ حاصل کیا گیا منافع کچھ اکاؤنٹنگ ٹرانزکشن کی واپسی کرنے پر ہوا۔ جبکہ کوئی منافع کمپنی کو چلانے کی وجہ سے نہیں حاصل ہوا۔ غیر فعال ہونے کی وجہ سے دوران سال کوئی ملازم کمپنی نے حقیقت میں نہیں رکھا۔

کارپوریٹ سماجی ذمہ داریاں:۔

کمپنی کے تحلیل ہونے کی وجہ سے مذکورہ بالا معلومات کو ان کاؤنٹس میں نظر انداز کر دیا گیا ہے۔

شیئر ہولڈنگ کا انداز:۔

شیئر ہولڈنگ کا انداز 30 جون 2021 پر بشمول معلومات کوڈ آف کارپوریٹ گورننس کے زیرِ تحت برائے عام اور غیر ووٹنگ کی مجموعی پرفارمنس منسلک ہے۔

بورڈ آف ڈائریکٹرز اور انکے اجلاس:۔

کمپنی کے تحلیل ہونے کی وجہ سے ڈائریکٹران کے اختیارات کمپنیز ایکٹ 2017 کے سیکشن 365 کے تحت ختم ہو گئے تھے اس لئے کوئی اجلاس نہیں ہوا۔

آڈٹ کمیٹی:۔

کمپنی کے تحلیل ہونے کی وجہ سے آڈٹ کمیٹی غیر فعال تھی۔

کارپوریٹ گورننس کا کوڈ:۔

کمپنی کے تحلیل ہونے کی وجہ سے کارپوریٹ گورننس کے ضابطے کی دفعات لاگو نہیں تھی۔

آڈیٹرز:۔

کمپنی کا بورڈ پہلے ہی ایکسٹرنل آڈیٹرز میسرز RSM اویس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹنٹس فیصل آباد کی تقرری برائے سال 2022 جسکی منظوری پچھلی بورڈ میٹنگ منعقدہ 22-06-2023 کو دے دی گئی تھی۔۔

تسلیم و تحسین:۔

بورڈ آف ڈائریکٹرز حصص یافتگان و سرکاری ایجنسیوں اور مالیاتی اداروں کی حمایت کے لئے اپنی تعریف ریکارڈ پر رکھتا ہے۔

نوٹ:۔

چونکہ سی ای او بورڈ میٹنگ والے دن ملک سے باہر ہیں اس لئے کمپنی ایکٹ 2017 کے سکشن 232 کے تحت دو ڈائریکٹرز نے ڈائریکٹرز کی رپورٹ پر دستخط کئے ہیں

(حسب الحکم بورڈ آف ڈائریکٹرز)

فیصل آباد:۔ 15 ستمبر 2023ء

محمد فیصل لطیف
(ڈائریکٹر)

میاں محمد جاوید اقبال
(ڈائریکٹر)

RSM

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

478-D, Peoples Colony No. 1
Faisalabad – Pakistan

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INDEPENDENT AUDITOR'S REPORT

To the members of Chenab Limited

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the annexed financial statements of Chenab Limited (the Company), which comprise the statement of financial position as at June 30, 2021, 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, except for the effects of the matters described in *Basis for Qualified Opinion section* of our report, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

a) The company had issued cumulative, redeemable preference shares of Rs.800 million containing put option (note 4) and has not complied with the requirement of IFRS-9 with respect to accounting treatment of Compound Financial instruments including in prior years, which constitutes a departure from the said IFRS. Preference shares with a put option carries the dilutive effect as per IAS 33 - Earnings per Share. The above mentioned accounting treatment restricts the true and fair presentation of the financial statements;

Other Offices at:
Lahore : 92 (42) 358 72731-3
Karachi : 92 (21) 356 55975-6
Islamabad : 92 (51) 211 4096-8
Rawalpindi : 92 (51) 519 3135
Quetta : 92 (81) 282 9809
Peshawar : 92 (91) 527 8310-527 7205
Kabul : 93 (799) 058155

b) The company has not provided the amount of preference dividend payable as per the terms under which preference shares were issued;

c) The deferred tax liability of Rs. 595.41 million has not been provided in the financial statements. Had the deferred tax liability been provided, the profit for the year would have been decreased by Rs. 595.41 million and accumulated loss increased by Rs. 595.41 million.

d) 'Trade creditors' include old outstanding balances amounting to Rs. 356.76 million. We could not verify the liability through dire ct confirmations or by applying alternate audit procedures. The effect of adjustment, had the liability been verified, could not be determined;

e) 'Contract liabilities' include old outstanding balances amounting to Rs. 15.34 million. We could not verify the liability through direct confirmations or by applying alternate audit procedures. The effect of adjustment, had the liability been verified, could not be determined;

f) Security deposit includes an amount of Rs. 12.48 million which has not been kept in a separate bank as required under section 217 of the Companies Act, 2017;

g) As discussed in detail in note 14 to the financial statements, the Company has not provided markup, since July 2011 in respect of certain long term financing and short term borrowings. The quantum of adjustment, had the markup been provided, and its impact on liabilities and the statement of profit or loss of the Company could not be determined;

h) The company has stated property plant and equipment at the revaluation in the statement of financial position. The company has not revalued its assets as per requirements of paragraphs 31 and 34 of IAS-16. The quantum of adjustment, had the revaluation been made, could not be determined. Further, impairment testing has not been carried out as per requirements of paragraph 12 of IAS-36 'Impairment of Assets' in view of adverse effect on the operational activities. Any impact of the same on assets, liabilities and on the statement of profit or loss of the Company could not be determined;

   The company has neither maintained updated fixed asset register nor any policy to conduct periodic physical verification of fixed assets is followed. Due to above reasons, the existence, completeness and valuation of the property and equipment could not be verified;

i) In prior year transfer from property, plant and equipment to investment property was made at written down value against the International accounting standard (IAS-40). The said treatment could impact the comparability of the current period's figures with the corresponding figures of prior periods. The quantum of adjustment, had the revaluation been made, could not be determined;

j) We could not observe the physical verification of Stores, spare parts and Loose tools and Stock in trade, amounting to Rs. 28.74 million and Rs. 0.23 million respectively as we were appointed after the year end. We could not satisfy ourselves as to existence and valuation of stocks and stores through application of alternate audit procedures;

k) Trade debts of Rs. 18.29 million and advances to suppliers of Rs. 17.95 million respectively are long outstanding. We have not received direct confirmations of balances. The balances in our opinion are impaired against which no provision has been made. Had the provision been made, the profit for the year would have been decreased by Rs. 36.24 million and accumulated loss increased by Rs. 36.24 million;

l) We could not observe the physical verification of Cash in hand at the end of the year as we were appointed after the year end. We could not satisfy ourselves about existence of cash in hand by applying alternate audit procedures;

m) The company has not contributed an amount of Rs. 50.99 million to the Workers Participation Fund as required under section 3 of the Companies Profits (Workers Participation) Act, 1968. Had the amount been contributed, the profit for the year would have been decreased by Rs. 50.99 million and accumulated loss increased by Rs. 50.99 million.

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

Material Uncertainty relating to Going Concern

The Company suffered financial difficulties. These condition as set forth in Note 1.3, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter-Subsequent Event

We draw attention to Note 37 of the financial statements, which discloses the occurrence of significant event subsequent to the statement of Financial Position date. Our opinion is not modified in respect of this matter.

RSM

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

RSM

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

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the year ended June 30, 2020, were audited by another firm of chartered accountants who expressed qualified opinion on those financial statements on June 22, 2023.

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

Rsm Avais Hyder Liaquat Nauman

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Faisalabad
Date: **15-09-2023**

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Note	2021 Rupees	2020 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Directors' loan	5	244,313,086	244,313,086
Surplus on revaluation of property, plant and equipment	6	5,648,413,621	5,680,840,915
Capital reserves	7	526,409,752	526,409,752
Revenue reserves	8	(8,095,610,597)	(9,129,025,659)
		273,525,862	(727,461,906)
NON-CURRENT LIABILITIES			
Long term financing	9	1,337,816,038	1,633,872,452
Lease Liabilities	10	-	-
Deferred liabilities	11	12,263,388	17,759,106
Deferred revenue		-	1,943,586
		1,350,079,426	1,653,575,144
CURRENT LIABILITIES			
Trade and other payables	12	988,651,883	2,122,876,307
Unclaimed dividend		366,071	366,071
Short term bank borrowings	13	4,344,992,444	4,344,992,444
Current portion of :			
Long term financing	9	3,827,191,701	3,529,191,701
Lease Liabilities	10	28,702,544	28,702,544
Provision for taxation - income tax		51,353,826	31,283,980
		9,241,258,469	10,057,413,047
CONTINGENCIES AND COMMITMENTS	14	**-**	**-**
		10,864,863,757	**10,983,526,285**

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD FAISAL LATIF
(DIRECTOR)

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	15	9,651,578,837	9,729,874,102
Right-of-use assets	16	169,522,097	171,248,441
Investment Property	17	873,060,285	889,195,976
Long term deposits	18	11,738,715	11,738,715
		10,705,899,934	10,802,057,234
CURRENT ASSETS			
Stores, spares and loose tools	19	28,743,953	28,743,953
Stock in trade	20	230,000	230,000
Trade debts	21	18,774,802	25,357,484
Loans and advances	22	31,450,863	25,647,006
Deposits and prepayments	23	10,627,120	10,627,120
Other receivables	24	9,548,778	33,460,794
Tax refunds due from Government	25	25,246,784	44,485,387
Cash and bank balances	26	34,341,523	12,917,307
		158,963,823	181,469,051
		10,864,863,757	**10,983,526,285**

M Javaid Iqbal

MIAN MUHAMMAD JAVAID IQBAL
(DIRECTOR)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Note	2021 Rupees	2020 Rupees
Sales		-	-
Cost of sales		-	-
Gross Profit/ (loss)		-	-
Operating Expenses			
Selling and distribution expenses		-	-
Administrative expenses	27	(144,480,491)	(149,267,541)
		(144,480,491)	(149,267,541)
Operating Loss		(144,480,491)	(149,267,541)
Other income	28	1,164,322,567	68,204,934
Finance cost	29	(29,589)	(186,063)
Profit/ (Loss) for the year before taxation		1,019,812,487	(81,248,670)
Provision for taxation	30	(20,069,846)	(15,331,118)
Profit/ (Loss) for the year		**999,742,641**	**(96,579,788)**
Profit / (loss) per share- Basic and diluted	31	**8.49**	**(0.84)**

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD FAISAL LATIF
(DIRECTOR)

MIAN MUHAMMAD JAVAID IQBAL
(DIRECTOR)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	2021 Rupees	2020 Rupees
Profit/ (Loss) for the year	999,742,641	(96,579,788)
Other comprehensive income for the year		
Items that will not be subsequently reclassified to profit or loss		
Remeasurement of defined benefit liability	1,245,127	2,683,992
Total comprehensive income/ (loss) for the year	1,000,987,768	(93,895,796)

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD FAISAL LATIF
(DIRECTOR)

MIAN MUHAMMAD JAVAID IQBAL
(DIRECTOR)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	2021 Rupees	2020 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	1,019,812,487	(81,248,670)
Adjustments for:		
Depreciation of operating assets	78,295,265	81,166,156
Depreciation of right-of-use assets	1,726,344	1,798,819
Depreciation of investment property	16,135,691	16,808,011
Provision for staff retirement gratuity	2,210,225	3,625,018
Gain on disposal of operating assets	-	(1,479,755)
Finance cost	29,589	186,063
Balances written back - net	(1,077,814,611)	(642,772)
Operating cash flows before working capital changes	40,394,990	20,212,870
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts	(4,330,202)	152,601
Loans and advances	(7,477,095)	(5,386,947)
Deposits and prepayments	-	31,500
Other receivables	(3,362,080)	2,383,462
	(15,169,377)	(2,819,384)
(Decrease) in current liabilities		
Trade and other payables	(3,771,808)	(23,335,513)
	(18,941,185)	(26,154,897)
Cash generated from / (used in) operations	21,453,805	(5,942,027)
Finance cost paid	(29,589)	(186,063)
Net cash generated from / (used in) operating activities	21,424,216	(6,128,090)
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of operating assets	-	1,480,000
Net cash generated from investing activities	-	1,480,000

	2021 Rupees	2020 Rupees
Net increase/ (decrease) in cash and cash equivalents (a+b)	21,424,216	(4,648,090)
Cash and cash equivalents at the beginning of the year	12,917,307	17,565,397
Cash and cash equivalents at the end of the year	34,341,523	12,917,307

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD FAISAL LATIF (DIRECTOR)	MIAN MUHAMMAD JAVAID IQBAL (DIRECTOR)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

					Capital reserves				Revenue reserves			
	Issued, subscribed and paid up capital	Cumulative preference shares	Loan from Director	Surplus on revaluation of property, plant and equipment	Premium on issue of ordinary shares	Book difference of capital under scheme of arrangement for amalgamation	Preference shares redemption reserve	Sub total	General reserve	Accumulated loss	Sub total	Total
	---------- R u p e e s ----------											
Balance as at July 01 2019	1,150,000,000	800,000,000	-	5,714,390,631	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(9,145,112,413)	(9,068,679,579)	(877,879,196)
Total comprehensive (loss) for the year												
(loss)/Profit for the year	-	-	-	-	-	-	-	-	-	(96,579,788)	(96,579,788)	(96,579,788)
Other comprehensive income												
Items that will not be subsequently reclassified to profit or loss:												
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	-	2,683,992	2,683,992	2,683,992
	-											-
										(93,895,796)	(93,895,796)	
Incremental depreciation on revalued assets for the year	-	-	-	(33,549,715.66)	-	-	-	-	-	33,549,716	33,549,716	-
Transaction with owner												
Loan from director	-	-	244,313,086	-	-	-	-	-	-	-	-	244,313,086
Balance as at June 30, 2020	1,150,000,000	800,000,000	244,313,086	5,680,840,915	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(9,205,458,493)	(9,129,025,659)	(727,461,906)
Total comprehensive (loss) for the year												
Profit /(Loss) for the year	-	-	-	-	-	-	-	-	-	999,742,641	999,742,641	999,742,641
Other comprehensive income												
Items that will not be subsequently reclassified to profit or loss:												
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	-	1,245,127	1,245,127	1,245,127
	-	-	-	-	-	-	-	-	-	1,000,987,768	1,000,987,768	1,000,987,768
Incremental depreciation on revalued assets for the year	-	-	-	(32,427,294)	-	-	-	-	-	32,427,294	32,427,294	-
Balance as at June 30, 2021	**1,150,000,000**	**800,000,000**	**244,313,086**	**5,648,413,621**	**120,000,000**	**63,552,610**	**342,857,142**	**526,409,752**	**76,432,834**	**(8,172,043,431)**	**(8,095,610,597)**	**273,525,862**
(Refer Note)			5									

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD FAISAL LATIF
(DIRECTOR)

MIAN MUHAMMAD JAVAID IQBAL
(DIRECTOR)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021.
(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

1 GENERAL INFORMATION

1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 (Now Companies Act 2017) and is listed on Pakistan Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad, in the province of Punjab. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. Geographical location and address of business units/plants are following:

Description	Location	Address
Registered/Head Office	Faisalabad	Nishatabad, Faisalabad.
Spinning Unit	Toba Tek Singh	3 K.M Shorkot Road, Toba Tek Singh.
Weaving Unit-I	Kharianwala	11 K.M Main Faisalabad Lahore Road, Kharianwala, Sheikhupura.
Weaving Unit-II	Nankana Sahib	7 K.M Main Faisalabad Lahore Road, Kotla Kalo Shahkot, Nankana Sahib.
Processing & Stitching Units	Faisalabad	Main Faisalabad Lahore Road, Nishatabad, Faisalabad.
Stitching Unit	Faisalabad	Jhumra road Gatti, Faisalabad.
Office	Karachi	14-15 Clifton, Karachi.

1.2 Pursuant to schemes of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibers Limited were merged with the Company with effect from April 01, 2003.

1.3 As at June 30, 2021 the accumulated loss of the Company is Rs. 8,172.04 million and the current liabilities exceed its current assets by Rs. 9,082.29 million. The Company has not redeemed preference shares on exercise of put options for three consecutive years by holders of preference shares due to tight cash flow situation. The Company has not been able to comply with terms of certain loan agreements. The company was wound up by the order of Honorable Lahore High Court dated July13, 2017 due to application filed by one of the creditor because of breach of debt covenants. The company preferred an appeal before the Honorable Supreme Court against this order but leave of appeal was not granted and dismissed vide order dated January 08, 2019 and official liquidator was appointed under the winding up order. SECP has initiated proceedings for investigations under the U/S-257 of Companies Act 2017,(Section 265 of the repealed Companies Ordinance, 1984.) The company has challenged the order and the Honourable Lahore High Court has stayed the proceedings.

The sponsors of the Company filed a Scheme of Arrangement before Lahore High Court Lahore on January 20, 2021 u/s 279 to 283 and 285(8) of companies Act, 2017 for reversal of winding up order whereupon a meeting was held on February 22, 2021 by the Share holders and Secured creditors of the company under the Chairmen ship of lawyers duly appointed by the Honorable Lahore High Court Lahore. 100% contributories/shareholders and 90.40% Secured Creditors approved the said scheme of arrangement. Which was approved by the Court on September 14, 2021 and subsequently the Court issued Reversal of winding up order dated October 29, 2021 and Company was handed over to the management.

According to Scheme of Arrangement the breakup of Principal Debt owed to each of the Lenders individually is bifurcated in the Tier 1 Debt consisting of Rs. 4,737,486,364/- and Tier 2 debt of Rs.4,737,486,364/- aggregated to Rs.9,474,972,728/-. Tier 1 debt shall be repaid in seven and half (7.5) years from the effective Date. The Tier 2 debt shall be repaid in six and a half (6.5) years from the earlier of (i) the date on which the Tier 1 Debt is repaid, and (ii) the date by which Tier 1 Debt is required to be repaid as per repayment schedule agreed under scheme of arrangement.

The Company shall pay the Principal Debt and Mark-Up to the Agent Bank and the Agent Bank shall pay each lenders it's pro-rata share of such repayments.

In view of approval of scheme of arrangement by the lenders/financial institutions the management is confident that it's implementation will result in improvement in the financial and operational condition of the Company are discussed below:

(a) Disposal of non-core assets

The management is committed to dispose off non core assets, within the grace period of one year from the effective date on which scheme of arrangement is approved. Disposal proceeds of non core assets of Rs 1.4 Billion will result in payment of loan amounts as well as injection in the working capital of the company for carrying out it's operations.

(b) Settlement / rescheduling of loans / finances with lenders

As per scheme of arrangement lenders/ financial institutions payment of principal is proposed over the course of 14 years from the effective date. This will improve the financial health and also settle all the disputes with the lenders/financial institutions.

(c) Additional Working Capital facility

The company required the running facility for managing it's working capital in two consecutive years as proposed under the scheme of arrangement.

(d) Induction of fresh equity

Sponsors will arrange an injection of fresh equity through the sale of personal shares into the company by realizing Rs. 350 Million as per Scheme of arrangement.

The above mentioned proposals will help to overcome the financial and operational problems of the Company. Considering management’s plans and adherence to facilities approved under the arrangement as discussed in para (a) to (d) above, management is confident that the Company will be able to continue as a going concern.

1.4 The Company has not carried out any commercial activity during the year due to winding up order and appointment of liquidator.

1.5 These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

1.6 All the significant transactions and events that have affected the company's financial position and performance during the year have been appropriately disclosed in respective notes.

2. SIGNIFICANT ACCOUNTING POLICIES

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's) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2020 and therefore, have been applied in preparing these financial statements.

- **Amendments to IAS 1 and IAS 8 - Definition of Material**

  The amendments are made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

  The threshold for materiality influencing users has been changed from "Could influence" to "Could reasonably be expected to influence".

  The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

  The amendments have no material impact on the disclosures or on the amounts reported in the company's financial statements

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform**

  The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The amendments are applicable to transactions that are either business combinations or asset acquisitions.

  The application of amendments have no material impact on the financial statements of the company.

- **Amendments to IFRS 16 Leases: - Covid – 19 related rent concessions**

  These amendments make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

  The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19 related rent concessions that reduce lease payments due on or before 30 June 2021.

  The amendments have no material impact on the disclosure or on the amounts reported in the company's financial statements.

- **The Amendments to References to the Conceptual Framework for Financial Reporting**

  The Company has adopted amendments to References to the conceptual framework in IFRS,s. The amendments are intended to replace reference to a previous version of the IASB,s conceptual framework with a reference to the current version.

  The amendments have no material impact on the disclosures or on the amounts reported in the company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2020 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- **Amendments to IFRS 3 - Definition of a Business**

The amendments relates to the definition of a "business" in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments clarify that to be considered a "business", an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and asset is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in single identifiable asset or group of similar assets.

The amendments are applicable to transactions that are either business combinations or asset acquisitions.

The application of amendments have no material impact on the financial statements of the company.

- **IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a new accounting standard for insurance contracts. The standard covers recognition, measurement, presentation and disclosure of insurance contracts, Once effective, the standard will replace IFRS 4 Insurance Contracts.

The standard applies to all types of insurance contracts. Overall objective of the standard is to provide an accounting model for insurance contracts covering all relevant accounting aspects.

The standard is effective for reporting periods starting on or after January 01, 2023.

The application of the standard is not expected to have any material impact on the company's financial statements.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate.

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.

The amendments are effective for the annual periods beginning on or after January 01, 2021

The amendments are not expected to have any material impact on company's financial statements.

- **Amendments to IAS 16 - Property, Plant and Equipment**

  The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendments are effective for the annual periods beginning on or after January 01, 2022.

  The amendments are not expected to have any material impact on company's financial statements.

- **Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract**

  The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities - General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

  The amendments are effective for accounting periods beginning on or after 1 January 2022.

  The application of amendments is not expected to have any material impact on the company's financial statements.

- **Amendments to IAS 1 - Classification of Liabilities as Current or Noncurrent**

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments are effective for the annual periods beginning on or after January 01, 2023.

  The amendments are not expected to have any material impact on the company's financial statements.

- **Amendments to IAS 1 - Disclosure of Accounting Policies**

  In February 2021, the Board issued amendments to IAS 1 the amendments aim to help entities provide accounting policy disclosures that are more useful by:

  The amendments are effective for the annual periods beginning on or after January 01, 2023.

  The amendments are not expected to have any material impact on the company's financial statements.

- **Amendments to IAS 8 - Definition of Accounting Estimates**

  The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

  The amendments are effective for the annual periods beginning on or after January 01, 2023.

  The amendments are not expected to have any material impact on the company's financial statements.

- **Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

  The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

  The amendments are effective for the annual periods beginning on or after January 01, 2023.

  The amendments are not expected to have any material impact on the company's financial statements.

- **Annual improvements to IFRS – 2018 – 2020**

  - IFRS 1 First-time Adoption of International Financial Reporting Standards

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  - IFRS 9 Financial Instruments

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - IAS 41 Agriculture

    The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

    The amendments are effective for the annual periods beginning on or after January 01, 2022.

    The amendments are not expected to have any material impact on the company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant.

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except: -

- certain property, plant and equipment carried at valuation; and
- staff retirement gratuity carried at present value.

The principal accounting policies adopted are set out below:

2.4 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

2.5 Leases – (as a lessee)

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the initial present value of lease payments, the Company uses the rate of implicit in the lease. If these rate cannot be readily determined the company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in Interest-bearing loans.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.6 Trade and other payables

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

2.7 Provisions

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

2.8 Provision for taxation

Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

Deferred

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

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

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

Deferred tax charged or credited in the statement of profit or loss, except in case of items credited or charged to equity in which case it is included in equity.

2.9 Dividend and other appropriations

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

2.10 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations. Plant and machinery is depreciated applying the unit of production method subject to minimum charge of Rs.10 million to cover obsolescence and electric installations are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and up to the month preceding the month of disposal respectively.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are included in current income.

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

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets and surplus realised on disposal of revalued asset is transferred to unappropriated profit / (accumulated loss).

2.11 Borrowing costs

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

All other borrowing costs are recognised in the statement of profit and loss account in the period in which these are incurred.

2.12 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 Investment property

Investment property which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on investment property is charged to income on reducing balance method at the rate of 4% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

Repairs and maintenance costs are charged to income during the period in which they are incurred. Major renewals and improvements are capitalised.

Gains or losses on disposal of investment property if any, are recognised in current income.

2.14 Stores, spares and loose tools

These are valued at moving average cost less allowances for obsolete or slow moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

2.15 Stock in trade

Stock in trade except wastes are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

2.16 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

2.18 Foreign currency translation

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

2.19 Financial instruments

2.19.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

- Financial assets at amortised cost

  Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

- Financial assets at fair value through other comprehensive

  Financial assets at fair value through other comprehensive income are held within a business model whose objective is both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss.

  Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets are measured at fair value at initial recognition and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

2.20 Offsetting of financial asset and financial liability

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

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sale of goods is recognised at a point in time when control of goods is transferred to customers.

Revenue from conversion receipts is recognised when services are rendered.

2.22 Related party transactions

Transactions with related parties are priced on arm’s length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

2.23 Critical accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, revaluation of land, buildings, plant and machinery, electric installations and generators, provision for doubtful receivables and slow moving inventory, staff retirement gratuity and estimate relating to provision for both current and deferred taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3. Issued, subscribed and paid up capital

2021	2020		2021	2020
Number of shares			Rupees	Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation.	51,447,390	51,447,390
115,000,000	115,000,000		1,150,000,000	1,150,000,000

3.1 All the shares are similar with respect to their rights on voting, dividend, board selection, first refusal and block voting.

4. Cumulative preference shares

2021	2020		2021	2020
Number of shares			Rupees	Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash.	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Pakistan Stock Exchange. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

4.2 In case the Company fails to redeem cumulative preference shares upon exercise of put options by the holders for any two consecutive years, the holders were entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

a) 75% of market value of shares or
b) 75% of book value (break up value) or
c) face value of shares

The date to exercise put options have been expired on September 25, 2010.

4.3 The holders of 55,080,498 cumulative preference shares called upon to convert preference shares into ordinary shares due to non-redemption of their holding on exercise of put options for two consecutive years. The Company proposed to issue new ordinary shares to preference shareholders holding 49,984,998 cumulative preference shares who have called upon to convert their shares, as per conversion formula laid down in the Prospectus (Refer above 4.2) and Articles of Association of the Company. SECP has initiated proceedings in the court of district and session judge at Karachi alleging trading activities of shares of the company in the manner prohibited under section 17 of Securities and Exchange Ordinance 1969. Since the subject matter of value for conversion of preference shares into ordinary shares is subjudice, the management will issue new ordinary shares on the disposal of the case filed by SECP. The matter of conversion of balance 5,095,500 cumulative preference shares is also pending till the resolution of matter in the court.

4.4 However as per scheme of arrangement approved by Honorable Lahore High Court subsequent to the statement of financial position date, redemption of preference shares shall be as under:-

I. Each of the following Landers currently hold preference shares of the following outstanding amount (based on the shares face value).

Lenders	Paid-up and outstanding amount of preference Shares at Face Value
Habib Bank Limited	PKR 100,000,000
Askari Bank Limited	PKR 100,000,000
National Bank of Pakistan	PKR 100,000,000

II. The above mentioned amounts will be repaid to each of the Lenders (and any other preference shareholder) in equal quarterly installments (over a three (3) year period commencing from the first calendar quarter end to occur after the repayment of the total Principal Debt in 14 years.

	2021 Rupees	2020 Rupees
5. DIRECTORS' LOAN	244,313,086	244,313,086

5.1 These loans are accounted for under Technical Release -32 "Accounting Directors Loan" issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016.

5.2 These loans are interest free and are repayable at the discretion of the company. These loans are subordinated to the financial facilities availed from banks.

	2021 Rupees	2020 Rupees
6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	5,680,840,915	5,714,390,631
Incremental depreciation on revalued assets for the year	(32,427,294)	(33,549,716)
	5,648,413,621	5,680,840,915

6.1 Freehold land was revalued by M/S Protectors as on 30 September 2016 on the basis of market values of Rs.2,731,860,000 (force sale value of Rs.2,322,081,000) and incorporated in financial statements for the second quarter ended on December 31, 2016 which was ratified by the board in board meeting of February 27, 2017. However valuation of other assets was not carried out as significant variation in value was not expected.

6.2 Previously such revaluation of freehold land, Building on freehold land, plant and machinery, electronic installations and generators were carried at on the basis of market values, by independent valuer "Protectors" on June 30, 2015 of Rs. 8,005,510,305/-.(force sale value of Rs. 6,526,155,859/-).The valuation was based on un-observable inputs which was Level 3 of fair value hierarchy.

	Note	2021 Rupees	2020 Rupees
7. Capital reserves			
Premium on issue of ordinary shares		120,000,000	120,000,000
Merger reserve	7.1	63,552,610	63,552,610
Preference shares redemption reserve	7.2	342,857,142	342,857,142
		526,409,752	526,409,752

7.1 It represents book difference of capital under schemes of arrangement for amalgamation.

7.2 It was created as per directive of State Bank of Pakistan and transferable into accumulated loss in due course as the dates of exercising put options for redemption have already been expired.

	Note	2021 Rupees	2020 Rupees
8. Revenue reserves			
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(9,205,458,493)	(9,145,112,413)
Total comprehensive income / (loss) for the year		1,000,987,768	(93,895,796)
Incremental depreciation on revalued assets		32,427,294	33,549,716
		(8,172,043,431)	(9,205,458,493)
		(8,095,610,597)	(9,129,025,659)

9. Long term financing

	Note	2021 Rupees	2020 Rupees
Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	9.1	239,227,233	239,227,233
Demand finances	9.1	1,305,200,000	1,305,200,000
Term finances	9.1	2,686,553,038	2,686,553,038
Long term finance	9.1	157,245,796	157,245,796
From financial institutions			
Term finances	9.1	560,260,533	560,260,533
Long term finances	9.1	78,791,139	78,791,139
Not subject to mark up			
From financial institutions			
Term finance XI	9.2	74,000,000	74,000,000
		5,101,277,739	5,101,277,739
Less : Current portion			
Installments over due		3,529,191,701	3,280,191,701
Payable within one year		298,000,000	249,000,000
		3,827,191,701	3,529,191,701
		1,274,086,038	1,572,086,038
Unsecured from			
Directors		-	244,313,086
Transferred to Equity	5	-	(244,313,086)
		-	-
Associates	9.3	63,730,000	61,786,414
		1,337,816,038	1,633,872,452

9.1 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
From banking companies:						
Fixed assets finance	239,227,233	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.
VII	1,094,200,000	**(Refer Note 9.1.1)**				
	1,305,200,000					
Term finances						
III	106,250,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
IV	462,852,000	20	Quarterly	30-Sep-10	30-Jun-15	3 Months KIBOR + 2.5% p. with a floor of 11% p.a
V	121,000,000	10	Quarterly	30-Sep-10	31-Dec-12	3 Months KIBOR + 3% with a floor of 12% p.a
VI	130,000,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5%
X	490,865,000	**(Refer Note 9.1.2)**				
XI	844,497,000	**(Refer Note 9.1.3)**				
XII	531,089,038	**(Refer Note 9.1.4)**				
	2,686,553,038					

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	4	Half yearly	20-Jun-09	20-Dec-10	SBP rate + 2% p.a
VIII	38,433,050	14	Quarterly	01-Jan-07	31-Jan-11	SBP rate + 2% p.a
X	13,058,496	24	Quarterly	28-Mar-10	28-Dec-15	SBP rate + 2% p.a
	157,245,796					
From financial institutions:						
Term finances						
I	300,000,000	20	Quarterly	01-Mar-11	01-Dec-15	6 M KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 M KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
III	47,916,667	60	Monthly	27-Jan-11	27-Dec-15	6 M KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
IV	37,500,000	8	Quarterly	01-Mar-11	01-Dec-12	6 M KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 M KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
VII	14,978,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
	560,260,533					
Long term finances						
II	3,090,689	36	Monthly	09-Jan-07	09-Dec-09	SBP rate + 2% p.a
III	12,586,768	48	Monthly	28-Apr-07	28-Mar-11	SBP rate + 2% p.a
IV	24,737,636	9	Half yearly	31-Dec-07	31-Dec-12	SBP rate + 2% p.a
V	12,179,477	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
VI	18,888,895	13	Quarterly	31-Mar-07	28-Feb-11	SBP rate + 2% p.a
VII	7,307,674	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,791,139					

The loans are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of export and running finances (Refer Note 13.2) and Murabaha finances (Refer Note 13.3). These are further secured by personal guarantee of directors of the Company.

The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management had filed applications to its bankers / financial institutions to reschedule the existing long term and short term borrowings along with outstanding mark up thereon and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time. Subsequently scheme of arrangement with the lenders for rescheduling of borrowing, was approved whereby entire borrowing is rescheduled over the course of 14 years (refer note 36.5) and past markup has been waived off therefore, no provision for markup has been made.

9.1.1 The loan is repayable as under ;

No. of installments	Installment amount	Balance amount	Commencing from	Ending on
1	20,000,000	14,700,000	30-Sep-15	30-Sep-15
27	20,000,000	540,000,000	31-Dec-15	30-Jun-22
8	41,850,000	334,800,000	30-Sep-22	30-Jun-24
4	44,350,000	177,400,000	30-Sep-24	30-Jun-25
1	27,300,000	27,300,000	30-Sep-25	30-Sep-25
41		1,094,200,000		

9.1.2 Total amount of the loan was of Rs. 490.865 million out of which Rs. 240.865 million was payable in 53 equal monthly installments commenced from July 01, 2012 and ended on December 01, 2016 and terms of repayment of balance amount of Rs. 250 million have not decided yet.

9.1.3 The loan is repayable as under ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
12	1,000,000	12,000,000	31-01-18	31-12-18
12	2,000,000	24,000,000	31-01-19	31-12-19
12	5,000,000	60,000,000	31-01-20	31-12-20
24	10,000,000	240,000,000	31-01-21	31-12-22
11	43,160,000	474,760,000	31-01-23	30-11-23
1	33,737,000	33,737,000	31-12-23	31-12-23
72		844,497,000		

Outstanding markup of Rs 33.056 million plus interest on outstanding principal calculated at the rate of 50% of the interest rate declared by the State Bank of Pakistan for relevant years is payable in 12 monthly installments starting from 01-01-2024 till 31-12-2024.

9.1.4 The loan is repayable as under ;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
5	1,000,000	5,000,000	31-Dec-16	30-Apr-17
6	5,500,000	33,000,000	31-May-17	30-Nov-17
12	4,000,000	48,000,000	31-Dec-17	30-Nov-18
12	5,000,000	60,000,000	31-Dec-18	30-Nov-19
12	6,000,000	72,000,000	31-Dec-19	30-Nov-20
12	7,000,000	84,000,000	31-Dec-20	30-Nov-21
12	9,000,000	108,000,000	31-Dec-21	31-Oct-22
11	10,000,000	110,000,000	31-Dec-22	31-Oct-23
1	11,089,038	11,089,038	30-Nov-23	30-Nov-23
83		531,089,038		

9.2 It was payable in 47 monthly installments as under;

No. of	Installment amount	Total amount	Commencing	Ending on
1	500,000	500,000	5-Dec-13	5-Dec-13
12	1,000,000	12,000,000	5-Jan-14	5-Dec-14
12	1,500,000	18,000,000	5-Jan-15	5-Dec-15
12	2,000,000	24,000,000	5-Jan-16	5-Dec-16
9	2,000,000	18,000,000	5-Jan-17	5-Sep-17
1	1,500,000	1,500,000	5-Oct-17	5-Oct-17
47		74,000,000		

It is secured against first charge over fixed assets of the Company.

9.3 These are interest free. These loans are recognised at amortised cost. Loans amounting to Rs 63.73 million (2020: Rs. 61.79 million) were repayable in lump sum after June 30,2020. Using prevailing market interest rate for an equivalent loan of 10.12% for loans payable after June 30, 2020 the fair value of these loans is estimated at Rs. 63.73 million (2020: Rs 63.73 million). The difference of Rs. Nil million (2020: Rs 1.94 million) between the gross proceeds and the fair value of these loans is the benefit derived from the interest free loans and is recognised as deferred revenue.

9.4 Subsequent as per Scheme of arrangement

According to Scheme of Arrangement the breakup of Principal Debt owed to each of the Lenders individually (that involves long term financing, short term borrowing and lease liabilities) is bifurcated into two equal portions as Tier 1 Debt and Tier-2 Debt each of Rs. 4,737,486,364/- aggregating to Rs.9,474,972,728/-.

Tier 1 Debt shall be repaid in seven and half years from the effective date September,14-2021. Tier 2 Debt shall be repaid in 6 and half years after Tier 1. Tier 1 Debt and Tier 2 Debt is to be paid in quarterly installments on the last day of each calendar year i.e March 31st, Jun, 30 September, 30 and 31st December.

The first year after the effective date shall be a grace period subject to any repayment during the first year from proceeds of sale of non core assets as described in the scheme.

The Company shall pay the 75% of disposal proceeds realized from the disposal of non core assets to the Agent bank and the Agent Bank shall pay each lenders it's pro-rata share of such repayments and the balance 25% of proceeds will be injected as working capital for operations of the company.

Thereafter, the company shall make the payments of Principal and Mark-Up from it's own resources to the Agent Bank which shall pay each lenders it's pro-rata share of such repayments as elucidated under the Scheme of Arrangement.

The past Mark up and the initial tier 2 Debt markup shall be waived off by the lenders if the Principal Debt (Tier-1 and Tier-2) and Mark-Up (Tier-1 Debt markup and Subsequent Tier-2 Debt markup) are paid timely and in accordance with the repayment Schedule under scheme of Arrangement. However, in case of any default in making all or any of payments stated above, full amount of such waived amounts (Past markup and Initial Tier-2 Debt markup) shall stand due and become payable.

	Note	2021 Rupees	2020 Rupees
10. Lease Liabilities			
Opening balance	10.2	28,702,544	28,702,544
Shown under current liabilities			
Installments over due		(28,702,544)	(28,702,544)
		-	-

10.1 These represent plant and machinery and generators acquired under separate lease agreements. The purchase option is available to the Company on payment of last installment and surrender of deposit at the end of the lease period.

10.2 The principal are payable over the lease period in monthly and half yearly installments. The liability represents the total minimum lease payments discounted at 11.27% to 17.13% per annum (2020 : 11.27% to 17.13% per annum) being the interest rates implicit in the leases.

10.3 The future minimum lease payments to which the Company is committed as at the year end are as under:

	2021	2020
Year ending June 30,		
2021	-	36,111,455
2022	36,111,455	-
	36,111,455	36,111,455
Financial charges		
Payable	(7,408,911)	(7,408,911)
Allocated to future periods	-	-
	(7,408,911)	(7,408,911)
	28,702,544	28,702,544

10.4 Reconciliation of minimum lease payments and their present value is given below:

	2021		2020	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	------ Rupees ------			
Due within one year	36,111,455	28,702,544	36,111,455	28,702,544
Due after one year but not later than five years	-	-	-	-
	36,111,455	28,702,544	36,111,455	28,702,544

10.5 On the reporting date, the installments of lease liabilities amounting to Rs. 28.70 million were over due. The over due installments were not paid subsequently.

10.6 These lease liabilities are proposed to be rescheduled subsequently as per scheme of Arrangement (Refer Note No.9.4)

	Note	2021 Rupees	2020 Rupees
11. Deferred liabilities			
Staff retirement gratuity	11.1	12,263,388	17,759,106
Deferred taxation	11.2	-	-
		12,263,388	17,759,106

11.1 Staff retirement gratuity

11.1.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation using the Projected Unit Credit Method. Latest actuarial valuation is carried out as at June 30, 2021.

	Note	2021 Rupees	2020 Rupees
11.1.2 Balance sheet reconciliation as at June 30,			
Present value of defined benefit obligation		12,263,388	17,759,106
11.1.3 Movement in net liability recognized			
Opening balance		17,759,106	18,475,005
Charge for the year	11.1.4	2,210,225	3,625,018
Benefits payable		(6,460,816)	(1,656,925)
Remeasurement of obligation		(1,245,127)	(2,683,992)
Balance at June 30,		12,263,388	17,759,106
11.1.4 Charge for the year			
Service cost		700,701	992,330
Interest cost		1,509,524	2,632,688
		2,210,225	3,625,018

	2021	2020
11.1.5 Principal actuarial assumptions		
Discount factor used	15.75% Per annum	8.5% Per annum
Expected rate of increase in salaries	15.75% Per annum	8.5% Per annum
Expected average remaining working lives of participating employees	8 years	8 years

11.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	2021 Rupees	2020 Rupees
Current liability	12,263,388	17,759,106
+1% Discount rate	11,128,881	15,379,328
-1% Discount rate	13,556,255	20,803,804
+1% Salary increase rate	13,544,436	20,772,676
-1% Salary increase rate	11,119,621	15,359,010

11.1.7 The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.

11.1.8 the following demographic assumptions were used in valuing the liabilities under the plan.

Mortality	Adjusted SLIC 2001-05
Disability	N.A.
Withdrawal	Moderate
Retirement age	60 Years

	2021 Rupees	2020 Rupees
11.2 Deferred taxation		
It comprises of the followings:		
Deferred tax liability :		
Difference in tax and accounting bases of property, plant and equipment	1,561,765,969	1,195,528,768
Deferred tax assets :		
Unadjusted tax losses	(938,472,716)	(1,113,782,979)
Staff retirement gratuity	(2,681,279)	(3,238,715)
Lease liability	(6,275,552)	(5,234,462)
Tax Credits	(18,925,580)	(18,925,580)
Unrecognised Deferred Tax Liability	595,410,842	54,347,032
	-	-

	Note	2021 Rupees	2020 Rupees
12. Trade and other payables			
Creditors		723,463,765	1,011,804,642
Accrued liabilities		218,620,753	212,395,410
Contract liabilities		31,302,366	431,703,588
Security deposit		12,475,288	442,225,288
Other		2,789,711	24,747,379
		988,651,883	2,122,876,307
13. Short term bank borrowings			
Secured			
Under mark up arrangements			
Export finances	13.2	3,668,552,114	3,668,552,114
Finance against trust receipts	13.2	18,301,847	18,301,847
Running finance	13.2	437,588,483	437,588,483
Murabaha finances	13.3	220,550,000	220,550,000
		4,344,992,444	4,344,992,444

13.1 The aggregate unavailed short term borrowing facilities available to the Company are nil (2020: Rs. nil million). Total sanctioned limits were Rs. 5.17 billion (2020: Rs. 5.17 billion) which were expired and renewable.

13.2 These are secured against first charge over current assets of the Company , lien on import / export documents and second charge over current and fixed assets of the Company. These are further secured by personal guarantee of directors of the Company and mortgage of property and corporate guarantee. Certain export and running finances are further secured against first charge over fixed assets of the Company ranking pari pasu with the charges created in respect of long term financing (Refer Note 9.1) and Murabaha finances (Refer Note 13.3). Export finances of Rs. 374.13 million (2020: Rs. 374.13 million) are also secured against equitable mortgage / deposit of title deeds of personal properties of directors and an associate. The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management had filed applications to its bankers / financial institutions to reschedule the existing long term and short term borrowings along with outstanding mark up thereon and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time. Subsequently scheme of arrangement with the lenders for rescheduling of borrowing including the short term borrowings, was approved whereby entire short term borrowing is converted into long term loan (refer note 36.5) and past markup has been waived off therefore, no provision for markup has been made.

13.3 These are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 9.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company. The management has also filed applications to its bankers / financial institutions with respect to rescheduling of existing long term and short term borrowings along with outstanding mark up thereon and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time, hence no provision of markup has been made with respect to these finances. (Refer Note 13.2).

14. CONTINGENCIES AND COMMITMENTS

Contingencies

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Income tax			
	The department has filed miscellaneous applications for tax year 2010 before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against its order whereby relief has been granted to the taxpayer. The matter involved was stayed against recovery of Income tax demand of Rs. 4,369,683/- through adjustment of refund. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Federal Board of Revenue vs. Company	11 July,2013
Appellate Tribunal Inland Revenue, Lahore	The department has filed miscellaneous applications for tax year 2012 before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against Commissioner Inland Revenue(Appeals) order whereby relief has been awarded to the taxpayer. Tax amount of Rs. 8,634,737/- (2020: Rs. 8,634,737) is involved in the case. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Federal Board of Revenue vs. Company	05 June,2014
	The Company has filed the appeals before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore for tax years 2013, 2015 and 2016 respectively against the CIR(A) orders. Tax demands of Rs. 4,456,880/-, 13,887,489/- and 10,315,279/- respectively are invloved in the appeals.Currently the cases are pending for adjudication before ATIR. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	22 July,2020

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Sales tax			
Appellate Tribunal Inland Revenue, Lahore	An appeal has been filed by the department before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against the order of CIR (A), Regional Tax Office, Faisalabad in appeal No. 368/2011 whereby relief has been granted to the taxpayer. Tax amount of Rs. 7,318,105/- (2020: 7,318,105) is involved in the appeal. The appeal has not been decided so far.The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Federal Board of Revenue vs. Company	December 23,2011
	The company has filed an appeal before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against the order of CIR (A), Regional Tax Office, Faisalabad in appeal No. 296/2020. Tax amount of Rs. 32,249,198/- is involved in the appeal. Currently the case is pending for adjudication before ATIR. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	November 25,2020
Other			
Lahore High Court	An appeal has been filed by the customs department before the Honorable Lahore High Court, Lahore against the order of Customs, Excise and Sales Tax Appellate Tribunal Lahore in Customs Appeal No. 754/LB/2003 which includes Custom duty of Rs. 2,594,882/- sales tax of Rs. 1,946,161 and penalty of Rs. 25,000/-. (2020: Rs. 2,594,882/- sales tax of Rs. 1,946,161 and penalty of Rs. 25,000/-. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Customs Department vs. Company	December 02,2013

	2021 Rupees	2020 Rupees
In respect of bank guarantees issued on behalf of the Company Sui Northern Gas Pipelines Limited for supply of gas.	33,266,900	33,266,900
Demand of wealth tax not acknowledged in view of pending appeals.	1,016,400	1,016,400
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigation.	20,611,375	20,611,375
Liability of Gas Infrastructure development cess not acknowledged in view of pending petitions.	23,383,079	23,383,079
Cases are pending before Foreign Exchange adjudication officer, State Bank of Pakistan for non repatriation of export proceeds within prescribed times. The default may attract penalties. The financial impact cannot be determined at this stage.	-	-
Liability of markup of Rs. 2,038.67 million (2020: Rs. 2,038.67 million) not acknowledged in view of company's request for waiver.		
According to the Scheme of arrangement past markup accrued and the cost of fund to respective lenders till the effective date will be waived off provided the company makes no default in making payments of principals (Tier -1 and Tier-2 Debt) and markup (Tier-1 and Subsequent Tier-2 Debt markup) under the scheme of Arrangement.	-	-
Correct amount of past due markup will be acknowledged after the Agent bank receives the figure of markup defaulted under each lender agreement.		
Dividend for cumulative preference shares will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.	411,510,899	388,460,360
Certain lenders have filed cases for recovery of long term and short term finances with claim of cost of funds. The claim of liquidated damages not acknowledged due to pending litigation.	89,868,889	89,868,889
Certain creditors have filed suits for recovery of old outstanding balances before Session Court Faisalabad. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favor of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	33,414,587	-

Commitments

There were no commitments as on 30 June 2021 (2020: Nil)

15. Property, plant and equipment

Operating assets

	Company owned										
	Freehold land	**Building on freehold land**	**Plant and machinery**	**Electric installations**	**Generators**	**Factory equipment**	**Furniture and fixture**	**Office equipment**	**Vehicles**	**Sign boards**	**Sub total**
	-----------------Rupees-----------------										
At July 01, 2019											
Cost / revaluation	2,731,860,000	1,719,007,480	6,261,447,221	264,973,598	365,599,000	76,475,185	39,108,524	84,184,756	13,078,089	525,248	11,556,259,101
Accumulated depreciation	-	(258,974,390)	(298,489,939)	(42,117,718)	(67,816,330)	(61,988,793)	(29,776,474)	(68,057,919)	(11,506,243)	(486,805)	(839,214,611)
Net book value	2,731,860,000	1,460,033,090	5,962,957,282	222,855,880	297,782,670	14,486,392	9,332,050	16,126,837	1,571,846	38,443	10,717,044,490
Year ended June 30, 2020											
Opening net book value	2,731,860,000	1,460,033,090	5,962,957,282	222,855,880	297,782,670	14,486,392	9,332,050	16,126,837	1,571,846	38,443	10,717,044,490
Disposals:											
Cost	-	-	-	-	-	-	-	-	(325,000)	-	(325,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	324,755	-	324,755
	-	-	-	-	-	-	-	-	(245)	-	(245)
Transfer to Investment Property (Refer note 17)											
Cost	(485,803,713)	(476,719,350)	-	-	-	-	-	-	-	-	(962,523,063)
Accumulated depreciation	-	56,519,076	-	-	-	-	-	-	-	-	56,519,076
	(485,803,713)	(420,200,274)	-	-	-	-	-	-	-	-	(906,003,987)
Depreciation charge	-	(41,593,313)	(9,772,073)	(10,598,944)	(14,889,134)	(1,448,639)	(933,205)	(1,612,684)	(314,320)	(3,844)	(81,166,156)
Closing net book value	2,246,056,287	998,239,503	5,953,185,209	212,256,936	282,893,536	13,037,753	8,398,845	14,514,153	1,257,281	34,599	9,729,874,102
At June 30, 2020											
Cost / revaluation	2,246,056,287	1,242,288,130	6,261,447,221	264,973,598	365,599,000	76,475,185	39,108,524	84,184,756	12,753,089	525,248	10,593,411,038
Accumulated depreciation	-	(244,048,627)	(308,262,012)	(52,716,662)	(82,705,464)	(63,437,432)	(30,709,679)	(69,670,603)	(11,495,808)	(490,649)	(863,536,936)
Net book value	2,246,056,287	998,239,503	5,953,185,209	212,256,936	282,893,536	13,037,753	8,398,845	14,514,153	1,257,281	34,599	9,729,874,102
Year ended June 30, 2021											
Opening net book value	2,246,056,287	998,239,503	5,953,185,209	212,256,936	282,893,536	13,037,753	8,398,845	14,514,153	1,257,281	34,599	9,729,874,102
Depreciation charge	-	(39,929,580)	(9,772,073)	(10,598,944)	(14,144,677)	(1,303,775)	(839,885)	(1,451,415)	(251,456)	(3,460)	(78,295,265)
Closing net book value	2,246,056,287	958,309,923	5,943,413,136	201,657,992	268,748,859	11,733,978	7,558,960	13,062,738	1,005,825	31,139	9,651,578,837
At June 30, 2021											
Cost / revaluation	2,246,056,287	1,242,288,130	6,261,447,221	264,973,598	365,599,000	76,475,185	39,108,524	84,184,756	12,753,089	525,248	10,593,411,038
Accumulated depreciation	-	(283,978,207)	(318,034,085)	(63,315,606)	(96,850,141)	(64,741,207)	(31,549,564)	(71,122,018)	(11,747,264)	(494,109)	(941,832,201)
Net book value	2,246,056,287	958,309,923	5,943,413,136	201,657,992	268,748,859	11,733,978	7,558,960	13,062,738	1,005,825	31,139	9,651,578,837
Annual rate of depreciation (%)		4	-	25 Years	5	10	10	10	20	10	

	Note	2021 Rupees	2020 Rupees
15.1 Depreciation for the year has been allocated as under:			
Administrative expenses	27	78,295,265	81,166,156

15.2 Had there been no revaluation, related figures of freehold land, building on freehold land, plant and machinery, electric installations and generators as at June 30, 2021 and 2020 would have been as follows:

2021			
Description	**Cost**	**Accumulated depreciation**	**Written down value**
	---------Rupees-----------		
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	1,104,101,895	1,009,023,404
Plant and machinery	5,626,624,731	2,148,844,376	3,477,780,355
Electric installations	304,777,663	203,302,273	101,475,390
Generators	245,077,888	170,599,386	74,478,502
	8,378,320,219	3,626,847,930	4,751,472,289

2020			
Description	**Cost**	**Accumulated depreciation**	**Written down value**
	---------Rupees-----------		
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	1,062,059,253	1,051,066,046
Plant and machinery	5,626,624,731	2,148,844,376	3,477,780,355
Electric installations	304,777,663	191,111,166	113,666,497
Generators	245,077,888	166,679,465	78,398,423
	8,378,320,219	3,568,694,260	4,809,625,959

15.3 The forced sale value of revalued freehold land, building on freehold land , plant and machinery, electric installations and generators was Rs. 7,761,018,859/-as on June 30, 2016.

15.4 Particulars of immovable property (i.e.. Land and building) in the name of company are as follows:-

Sr. No.	Location	Usage of Immovable property	Area of Land
1	3 K.M Shorkot Road, Toba Tek Singh	Spinning unit & Colony	157 Kanal 04 Marlas
2	11 K.M Main Faisalabad Lahore Road, Kharianwala, Sheikhupura	Weaving Unit	115 Kanal 4 Marlas
3	7 K.M Main Faisalabad Lahore Road, Kotla Kalo Shahkot, Nankana Sahib	Weaving Unit	197 Kanal 16 Marlas
4	Main Faisalabad Lahore Road, Nishatabad, Faisalabad	Processing unit & Head office	211.054 Kanal
5	Jhumra road Gatti, Faisalabad	Stitching Hall	16 Kanal 13 Marlas
6	Main Lahore Road, Khurrianwala, Faisalabad	Stitching Hall	331 Kanal 15 Marlas
7	27 Y Madina town, Faisalabad	Residence	1 Kanal 55Sft.
8	40-W Main Susan Road Faisalabad	Residence	1 Kanal 55Sft.
9	42-W Main Susan Road Faisalabad	Residence	1 Kanal 55Sft.
10	44-W Main Susan Road Faisalabad	Residence	1 Kanal 55Sft.
11	14-15 Clifton, Karachi	Office	4414 Sq.Ft

15.5 Disposal of Property and equipment

Description	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/(Loss)	Particulars of buyers
2021	-	-	-	-	-	
2020	**325,000**	**324,755**	**245**	**1,480,000**	**1,479,755**	

16. Right-of-use assets

	Building	Plant and machinery	Generator	Total
	-----------------------	Rupees	-----------------------	
As at July 1, 2019				
Cost	7,405,200	203,768,114	65,966,667	277,139,981
Accumulated depreciation	(2,429,963)	(64,685,986)	(36,976,772)	(104,092,721)
Net book value	4,975,237	139,082,128	28,989,895	173,047,260
Year ended June 30, 2020				
Opening net book value	4,975,237	139,082,128	28,989,895	173,047,260
Depreciation expense	(121,397)	(227,927)	(1,449,495)	(1,798,819)
	4,853,840	138,854,201	27,540,400	171,248,441
At June 30, 2020				
Cost	7,405,200	203,768,114	65,966,667	277,139,981
Accumulated depreciation	(2,551,360)	(64,913,913)	(38,426,267)	(105,891,540)
Net book value	4,853,840	138,854,201	27,540,400	171,248,441
Year ended June 30, 2021				
Opening net book value	4,853,840	138,854,201	27,540,400	171,248,441
Depreciation expense	(121,397)	(227,927)	(1,377,020)	(1,726,344)
	4,732,443	138,626,274	26,163,380	169,522,097
At June 30, 2021				
Cost	7,405,200	203,768,114	65,966,667	277,139,981
Accumulated depreciation	(2,672,757)	(65,141,840)	(39,803,287)	(107,617,884)
Net book value	4,732,443	138,626,274	26,163,380	169,522,097
Annual rate of depreciation (%)	61 Years	Unit of Production	5%	

	Note	2021 Rupees	2020 Rupees
Depreciation for the year has been allocated as under:			
Administrative expenses	27	1,726,344	1,798,819

	Note	2021 Rupees	2020 Rupees
17. Investment property			
Land			
Opening balance		485,803,713	-
Transfer from operating assets	15	-	485,803,713
		485,803,713	485,803,713
Building			
Opening Balance		403,392,263	-
Transfer from operating assets	15	-	420,200,274
Depreciation charge	27	(16,135,691)	(16,808,011)
Closing net book value as at June 30,		387,256,572	403,392,263
		873,060,285	889,195,976
Annual rate of depreciation on building (%)		4	4

17.1 Fair value of land and buildings approximates it's cost.

	Note	2021 Rupees	2020 Rupees
18. Long term deposits			
Lease key money		1,679,435	1,679,435
Security deposits		11,738,715	11,738,715
		13,418,150	13,418,150
Less: Current portion - Lease key money		1,679,435	1,679,435
		11,738,715	11,738,715
19. Stores and spares			
Stores		21,606,856	21,606,856
Spares		7,137,097	7,137,097
		28,743,953	28,743,953
20. Stock in trade			
Finished goods		200,180	200,180
Waste		29,820	29,820
		230,000	230,000
21. Trade debts			
Considered good			
Unsecured			
Local		18,774,802	25,357,484
		18,774,802	25,357,484
22. Loans and advances			
Considered good			
Loans to employees		637,537	637,537
Advances			
Suppliers / contractors		17,949,284	19,622,522
Income tax		12,864,042	5,386,947
		31,450,863	25,647,006

	Note	2021 Rupees	2020 Rupees
23. Deposits and prepayments			
Deposits			
Security deposits		1,261,358	1,261,358
Current portion of long term deposits	18	1,679,435	1,679,435
Guarantee / export margin		7,686,327	7,686,327
		10,627,120	10,627,120
24. Other receivables			
Export rebate / duty drawback		2,318,406	6,161,182
Excise duty		2,448,852	2,448,852
Other		4,781,520	24,850,760
		9,548,778	33,460,794
25. Tax refunds due from Government			
Income tax		25,246,784	26,716,519
Sales tax		-	17,768,868
		25,246,784	44,485,387
26. Cash and bank balances			
Cash at banks			
In current accounts		34,341,523	12,917,307
		34,341,523	12,917,307
27. Administrative expenses			
Salaries and benefits		17,557,267	19,074,589
Staff retirement benefits		2,210,225	3,625,018
Utility Expenses		1,524,741	2,927,008
Travelling and conveyance		170,820	83,538
Printing and stationery		10,982	6,597
Fees and subscriptions	27.1	20,833,514	16,265,403
Legal and professional		130,000	618,000
Rent, rates and taxes		4,321,042	3,381,902
Auditors' remuneration	27.2	750,000	1,267,500
Depreciation of operating assets	15.1	78,295,265	81,166,156
Depreciation of right-of-use assets	16	1,726,344	1,798,819
Depreciation of investment property	17	16,135,691	16,808,011
Other		814,600	2,245,000
		144,480,491	149,267,541

27.1 This includes Liquidator's Fees of Rs. 14,902,494/- (2020; Rs. 10,312,184)

	2021 Rupees	2020 Rupees
27.2 Auditors' remuneration		
Audit fee	552,000	552,000
Half yearly review	138,000	138,000
Out of pocket expenses	60,000	60,000
Audit fee of previous auditor appointed by court	-	517,500
	750,000	1,267,500
28. Other income		
Income from assets other than financial assets:		
Rental income	86,507,956	66,082,407
Gain on disposal of operating assets	-	1,479,755
Balances written back - net	1,077,814,611	642,772
	1,164,322,567	68,204,934

	Note	2021 Rupees	2020 Rupees

29. Finance cost

	Note	2021 Rupees	2020 Rupees
Interest / mark up on:			
Long term financing	36.5	-	-
Liabilities against assets subject to finance lease		-	-
Short term bank borrowings	36.5	-	-
Bank charges and commission		29,589	186,063
		29,589	186,063

30. Provision for taxation

		2021 Rupees	2020 Rupees
Current			
For the year		20,069,846	15,331,118

30.1 The relationship between tax expense and accounting loss

	2021 Rupees	2020 Rupees
Profit / (Loss) before taxation	1,019,812,487	(81,248,670)
Tax on accounting profit at the applicable tax rate of 29%	295,745,621	-
Tax on Inadmissible Expenses	28,526,582	-
Tax on Admissible Expenses	(82,471,566)	-
Tax effect of :		
Separate block of rental income	25,087,307	19,163,898
Expenses that are admissible in earning rental income	(5,017,461)	(3,832,780)
Adjustment of tax on carried forward business losses	(241,800,637)	-
	20,069,846	15,331,118

31. Profit / (loss) per share- Basic and diluted

		2021	2020
Profit/ (Loss) for the year after taxation		999,742,641	(96,579,788)
Less: Dividend on cumulative preference shares at 9.25%		23,050,539	-
Profit/ (Loss) attributable to ordinary shareholders	Rupees	976,692,102	(96,579,788)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
Earnings per share- Basic and diluted	Rupees	8.49	(0.84)

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

32. REMUNERATION TO EXECUTIVES

	2021 Executives Rupees	2020 Executives Rupees
Remuneration	2,133,658	2,492,004
House rent allowance	746,775	872,196
Medical allowance	213,137	249,204
Utility allowance	106,911	124,596
	3,200,481	3,738,000
Number of persons	2	2

33. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertaking, directors and key management personnel. Amounts due to and due from related parties are shown under relevant notes to the financial statements. Remuneration to Executives is disclosed in Note 35. There is no other significant transaction with related parties.

34. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2021	**2020**	2021	2020
Fabric	Mtrs	9,000,000	9,000,000	-	-
Made ups	Mtrs	59,000,000	59,000,000	-	-
Garments	Mtrs	3,500,000	3,500,000	-	-

Reasons for shortfall

- The operational activities of the company was ceased due to winding up order.

35. NUMBER OF EMPLOYEES

	2021	2020
	------Numbers--------	
Total number of employees as at June 30,	38	44
Total number of factory employees as at June 30,	0	0
Average number of employees for the year	41	44
Average number of factory employees for the year	0	0

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

36.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 Rupees	2020 Rupees
Financial assets:		
Loans and receivables at amortised cost		
Long term deposits	11,738,715	11,738,715
Trade debts	18,774,802	25,357,484
Loans and advances	637,537	637,537
Deposits	8,947,685	8,947,685
Other receivables	4,781,520	24,850,760
Cash and bank balances	34,341,523	12,917,307
	79,221,782	84,449,488
Financial liabilities:		
Financial liabilities at amortised cost		
Long term financing	5,165,007,739	5,163,064,153
Lease Liabilities	28,702,544	28,702,544
Trade and other payables	944,874,229	1,248,947,431
Short term bank borrowings	4,344,992,444	4,344,992,444
	10,483,576,956	10,785,706,572

36.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

36.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2021 Rupees	2020 Rupees
Trade debts	18,774,802	25,357,484
Loans and advances	637,537	637,537
Deposits	8,947,685	8,947,685
Other receivables	4,781,520	24,850,760
Bank balances	34,341,523	12,917,307
	67,483,067	72,710,773

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

For trade debts, credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. All the customers of the Company are situated in Pakistan. The aging of trade debts as at balance sheet date is as under:

	2021 Rupees	2020 Rupees
Not past due	-	-
Past due within one year	-	-
Past due over one year	18,774,802	25,357,484
	18,774,802	25,357,484
	18,774,802	25,357,484

Based on past experience and taking into consideration, the financial position, and previous record of recoveries, the Company believes that past due trade debts do not require recognition of any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with local banks having good credit rating from local credit rating agencies.

The bank balances alongwith credit rating is as follows.

Credit	2021 Rupees	2020 Rupees
AAA	34,240,003	12,816,788
AA+	48,964	48,963
AA	22,622	22,622
Other	29,934	28,934
	34,341,523	12,917,307

36.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is facing difficulty in maintaining sufficient level of liquidity due to operating and financial problems being faced by the Company. Following are the contractual maturities of financial liabilities as at June 30, 2021 and 2020;

	2021					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	----------Rupees----------					
Financial liabilities:						
Long term financing	5,165,007,739	5,165,007,739	3,470,191,701	145,000,000	1,549,816,038	-
Lease Liabilities	28,702,544	28,702,544	28,702,544		-	-
Trade and other payables	944,874,229	944,874,229	944,874,229	-	-	-
Short term bank borrowings	4,344,992,444	4,344,992,444	4,344,992,444	-	-	-
	10,483,576,956	10,483,576,956	8,788,760,918	145,000,000	1,549,816,038	-

	2020					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	----------Rupees----------					
Financial liabilities:						
Long term financing	5,163,064,153	5,163,064,153	3,326,191,701	43,000,000	1,766,572,452	27,300,000
Lease Liabilities	28,702,544	28,702,544	28,702,544		-	-
Trade and other payables	1,248,947,431	1,248,947,431	1,248,947,431	-	-	-
Short term bank borrowings	4,344,992,444	4,344,992,444	4,344,992,444	-	-	-
	10,785,706,572	10,785,706,572	8,948,834,120	43,000,000	1,766,572,452	27,300,000

The Company's exposure to the liquidity risk is low as all of its financial obligations has been rescheduled subsequently (Refer Note 36.5) and are to be paid over the period of 14 years.

36.2.3 Market risk

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

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from long term and short term borrowings from banks. The Company is not providing markup on long term and short term borrowings. The interest rate profile of the Company’s other interest bearing financial instruments is presented in relevant notes to the financial statements. (Refer note 36.5)

Subsequently as per scheme of arrangement, past markup has been waived off subject to timely payments of Principals and markup agreed under the arrangement. If the company defaults in making payments as agreed under the scheme of arrangement, company shall be liable to pay past markup as elaborated in Note no 36.5. The change in interest rate (increase / decrease) will affect the Company's income or the value of its holdings of financial instruments.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

No impact of variation in interest rate has been considered as no mark up has been provided in these financial statements so change in interest rate has no impact on Company's income or the value of its holding of financial instruments.

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to any currency risk.

iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

36.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

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.

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Debt is calculated as total external borrowings ('long term financing', ' liabilities against assets subject to finance lease' and 'short term borrowings' as shown in the balance sheet). Equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves' and subordinated long term finance from directors and net debt (net of cash and cash equivalent)

The salient information relating to capital risk management of the Company as of June 30, 2021 and 2020 were as follows:

	Note	**2021** Rupees	**2020** Rupees
Total debt	9,10 & 13	9,538,702,727	9,536,759,141
Less: Cash and cash equivalents	26	(34,341,523)	(12,917,307)
Net debt		9,504,361,204	9,523,841,834
Total equity		273,525,862	(727,461,906)
Total capital employed		9,777,887,066	8,796,379,928
Gearing ratio		97.20%	108.27%

36.5 Overdue loans and mark up

Under Scheme of Arrangement approved subsequent to the statement of financial position date whereby the past markup has been waived off under each lender agreement subject to the condition that company makes no default in making payment of Principal (Refer Note 9.4) and markup agreed under the arrangement as described below:

The mark-up on the Tier 1 Debt shall be 5% per annum and shall start accruing from the Effective Date.

The mark-up on Tier 2 Debt shall be 3% per annum. The Initial Tier 2 Debt Mark-Up shall start accruing from the Effective Date and such accrual shall end on the earlier of (i) the date on which the Tier 1 Debt is repaid, and (ii) the date by which the Tier 1 Debt is required to be repaid.

Thereafter, the mark-up on Tier 2 Debt shall accrue at 5% per annum.

Both Tier-1 Debt markup and subsequent Tier-2 Debt markup shall be paid within 03 years after the earlier of (i) the date on which the Tier 1 Debt and tier-2 Debt is repaid, and (ii) the date by which the Tier 1 Debt and Tier-2 Debt is required to be repaid.

The Lenders shall have the sole discretion to revise the quantum and applicability of the Tier 1 Debt Mark-Up, the Initial Tier 2 Debt Mark-Up, and the Subsequent Tier 2 Debt Mark-Up.

The Past Mark-up upto the Effective Date shall be calculated by aggregating:

(a) Mark-up accrued but not paid under each Lenders' financing agreements as per the rate of mark-up under such financing agreement until the date of default; and,

(b) (from the date of default under each financing agreement up to the Effective Date) mark-up equal to the cost of funds on the outstanding principal amount under each financing agreement at the rate of the cost of funds of the relevant Lender for each financing agreement.

37. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

After the statement of financial position date the Scheme of Arrangement which was filed before Lahore High Court, Lahore u/s 279 to 283 and 285(8) of the Companies Act, 2017 on January, 20-2021 by the sponsors of the company for reversal of winding up order whereupon a meeting was held on February, 22-2021 by the share holders/contributors and on February,25-2021 by the secured creditors of the company under the Chairmen ship of lawyers duly appointed by the Honorable Lahore High Court, Lahore, 100% of the shareholders/contributories and 90.40% of the secured creditors approved the said scheme of arrangement. The said scheme of arrangement was approved by the Court on September,14-2021 and subsequently the Court issued Reversal of winding up order dated October,29- 2021 and Company was handed over to the management. As this significant event was incurred subsequent to statement of financial position date so require no adjustment in the current financial statement period.

38. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue on **15 September 2023** by the Board of Directors of the Company.

39. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES

The dividend for cumulative preference shares amounting to Rs. 411.51 million (2020: 388.46 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

40. GENERAL

Figures have been rounded off to the nearest Rupee except where mentioned otherwise.

MUHAMMAD FAISAL LATIF	**MIAN MUHAMMAD JAVAID IQBAL**
(DIRECTOR)	**(DIRECTOR)**

Form 34
Pattern of Holding of Ordinary Shares
Held by Shares Holders as at June 30, 2021

Share Holders	From	To	Total Shares
98	1	100	3,979
486	101	500	230,114
282	501	1,000	279,105
537	1,001	5,000	1,715,250
231	5,001	10,000	1,941,093
85	10,001	15,000	1,107,047
62	15,001	20,000	1,158,500
59	20,001	25,000	1,420,001
26	25,001	30,000	740,500
15	30,001	35,000	501,000
20	35,001	40,000	769,148
12	40,001	45,000	512,506
23	45,001	50,000	1,136,723
4	50,001	55,000	216,500
9	55,001	60,000	527,004
2	60,001	65,000	129,500
5	65,001	70,000	347,500
3	70,001	75,000	221,500
2	75,001	80,000	157,000
8	80,001	90,000	683,500
14	90,001	100,000	1,390,500
2	100,001	110,000	215,000
4	110,001	125,000	479,500
5	125,001	140,000	648,500
1	140,001	150,000	143,500
1	150,001	170,000	170,000
7	175,001	200,000	1,335,000
4	200,001	250,000	881,500
4	255,001	300,000	1,185,000
4	300,001	400,000	1,419,636
3	400,001	500,000	1,357,500
2	500,001	600,000	1,114,500
3	600,001	800,000	2,103,500
3	850,001	1,000,000	2,748,500
1	1,000,001	1,100,000	1,041,500
1	1,250,001	1,300,000	1,270,500
1	2,500,001	3,000,000	2,813,545
1	3,500,001	3,550,000	3,502,834
1	3,605,001	3,650,000	3,608,218
1	6,000,001	6,200,000	6,138,587
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
2037			**115,000,000**

Note: The Slabs not applicable, have not been shown.

Categories of Shareholders

Categories of Shareholders		Number	Share held	Percentage
Directors, Chief Executive and their spouse, children				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Zeeshan Latif	Director	1	6,138,587	5.34
Mr. Tariq Ayub Khan	Independent Director	1	1,000	0.00
Mst.Shahnaz Latif	Spouse	1	7,459,184	6.49
Mst.Tehmina Yasmin	Spouse	1	285	0.00
Mst.Prveen Akthar	Spouse	1	338	0.00
Mr. Umair Javaid	Son	1	1,519	0.00
Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund, Textile & etc.				
Investment Companies		1	25,000	0.02
Joint Stock Companies		8	110,895	0.10
Manufacturing & Trading		1	8,000	0.01
Provident Fund		1	10,000	0.01
Textile		1	56	0.00
Individuals		2014	38,255,565	33.27
		2037	**115,000,000**	**100.00**

Form 34
Pattern of Holding of Preference Shares
Held by Shares Holders as at June 30,2021

ShareHolders	From	To	Total Shares
38	1	100	1,039
628	101	500	310,755
121	501	1,000	119,024
318	1,001	5,000	991,835
154	5,001	10,000	1,281,200
80	10,001	15,000	1,053,000
48	15,001	20,000	870,502
37	20,001	25,000	869,082
37	25,001	30,000	1,046,000
15	30,001	35,000	504,350
13	35,001	40,000	491,192
7	40,001	45,000	303,000
22	45,001	50,000	1,080,000
10	50,001	55,000	522,500
8	55,001	60,000	471,500
5	60,001	65,000	315,500
1	65,001	70,000	70,000
12	70,001	80,000	907,500
6	80,001	90,000	499,500
25	90,001	100,000	2,466,500
25	100,001	150,000	3,028,156
20	150,001	200,000	3,611,500
8	200,001	250,000	1,811,214
4	250,001	300,000	1,150,000
5	300,001	400,000	1,715,511
4	400,001	600,000	2,113,000
4	600,001	800,000	2,649,140
1	900,001	1,000,000	1,000,000
1	1,000,001	1,100,000	1,010,000
1	1,300,001	1,400,000	1,367,500
1	1,500,001	1,600,000	1,582,000
1	2,400,001	2,500,000	2,431,000
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
1664			**80,000,000**

Note: The Slabs not applicable, have not been shown.

Sharesholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	1	64,500	0.08
Financial Institutions	5	43,357,000	54.20
Joint Stock Companies	7	1,589,001	1.99
Textile	1	137	0.00
Individuals	1650	34,989,362	43.74
	1664	**80,000,000**	**100.00**

Form of Proxy

I/We _________________________ of ____ being a Member of **Chenab Limited** (the "Company") holding ___________________ shares, hereby appoint _______________________ of ____ who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 37th Annual General Meeting of the Company to be held on October 09, 2023, and at any adjournment thereof.

Signed this _____________ day of ______________2023.

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Revenue Stamp Rs.5/-

____
The Signature should agree with the specimen signature registered with the Company

WITNESSES:

1. Signature _________________
   Name _________________
   NIC _________________
   Address _________________

2. Signature _________________
   Name _________________
   NIC _________________
   Address _________________

Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) Hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not member of the Company (except that a corporation may appoint a person who is not a member).
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been Provide earlier).

Book Post

Chenab
LIMITED

If not deliverd return to :

- Nishatabad, Faisalabad - Pakistan
- Tel: +92 41 8754475-76
- Fax: +92 41 8752400, 8752700
- Email: chenab@chenabgroup.com
- Web: www.chenabgroup.com