



SAIF GROUP

KOHAT TEXTILE MILLS LIMITED



54th ANNUAL REPORT 2020



REVIEW REPORT BY THE CHAIRMAN

It gives me pleasure to present my review of the overall performance of the Board of Kohat Textile Mills Ltd. (the Company) and its effectiveness in achieving the Company's objectives.

For the financial year ended June 30, 2020, an annual evaluation of the Board was carried out as per the directives of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and I am pleased to report that the overall performance of the Board was found satisfactory. That said, there is always room for further improvement. The overall assessment is based on evaluation of integral components, including vision, mission, and values; engagement level in strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight and fair treatment of all employees.

In February 2020, on the completion of the term of the Board of Directors, election of Directors was convened and in compliance to the requirement of Code of Corporate Governance 2019, Mr. Sardar Aminullah Khan was appointed as the second independent director. The Board members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to provide effective oversight to the business. The Board committees remained active and provided necessary support in decision making. Individual Board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the company. Deliberations during Board meetings were professional and constructive. Time was suitably apportioned to both strategic and operational level discussions and suggesting appropriate resolutions.

During the year, five board meetings were conducted. All the Board members received agendas and supporting material, including follow up materials, before the Board and committee meetings, although we are striving for further improvements in this area. Attendance of members in meetings was always proper and regular. There was no code of conduct violation observed. Performance objectives were reviewed against actual results and were found reasonably satisfactory given the overall volatility in our business.

The role of the Board has been pivotal in achieving the company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. It needs to be noted however that in an industry as competitive as ours, these plans are necessarily fluid and the Company must be nimble, anticipate and respond to changes in our competitive environment. Independent and Non-Executive Directors provided depth of expertise and support for effective decision making.

Overall, I feel that the strategic direction of the company for the long-term is clear and appropriate. Moreover, the processes adopted in developing and reviewing the corporate strategy and execution are commendable, which are truly reflected by the improving

financial results of the company. Major decisions were referred to the Board which were decided timely and prudently.

I remain firmly committed to ensuring that the company complies with all the relevant codes, rules, regulations and ensuring that our management team continues to make decisions that will create value for shareholders.

I would also like to recognize the role and efforts of the executive management team for their strong and insightful leadership during the past year and also their flexibility and willingness to receive feedback. I would also like to express my gratitude for the efforts of all our workers for their dedication and all stakeholders for reposing their trust in us.

A handwritten signature in blue ink, appearing to read 'O. S. Khan', is centered on a light blue rectangular background.

Islamabad
October 07, 2020

(Osman Saifullah Khan)
Chairman

Directors' report to the members

Dear Members,

The Directors of your Company take pleasure in presenting before you the performance review together with audited financial statements and auditor's report thereon for the year ended June 30, 2020.

Overview and operating results

The year under review has been an extraordinary year. The COVID-19 pandemic has inflicted high human costs worldwide and the necessary precautionary measures, in the shape of lockdowns, have severely impacted the economic activity. During the year, turnover of the Company reduced by 13% to Rs.2.59 billion (FY19: Rs.2.97 billion). During the lockdown period in the country the supply chain remain fractured and the production capacities remain under-utilized. The Company operated at merely 67% capacity during last quarter of FY20, compared to 100% in similar period last year which adversely impacted operating profitability. Borrowing costs saw an increase of Rs.64.70 million over last year. The Company incurred a loss after tax of Rs.65.23 million, compared to a profit of Rs.66.96 million last year.

(Loss) / earnings per Share

The basic and diluted loss per share were Rs.1.97 (2019: earnings per share: Rs.3.22).

Appropriation of Dividends

In view of the new loss suffered by the Company your directors have decided not to recommend any dividend last year (2019: cash dividend @ 10%).

Holding company

Saif Holdings Limited, incorporated in Pakistan, is the holding company of Kohat Textile Mills Limited with 77.98% shareholding.

ISO Certifications

The Company is certified by ISO in 9001:2015 (Quality Management System) and 45001:2018 (Occupational Health & Safety Management System).

Credit Rating Certification

The entity rating of the Company has been maintained as A with stable outlook by Pakistan Credit Rating Agency (PACRA).

Debt repayment

The Company has adopted an effective cash flow strategy whereby cash inflows and outflows are monitored vigilantly. Efficient financing management has enabled the Company to meet its financial commitments.

Future Outlook

The outbreak of COVID-19 pandemic has had a huge impact on national and global economies. The lockdowns, while necessary, brought all business activities to a standstill. The State Bank of Pakistan has been very proactive to handle the ensuing challenges and supported businesses in the shape of deferment of principal payments, refinancing of salaries, providing low interest loans for investment and reducing the benchmark rate to alleviate the strain of cash flows. Resultantly, we are witnessing signs of recovery in national economy and demand in local market is picking up. Export markets for yarn, however, have struggled to match local prices. The global markets are fearing a second wave. It is hoped that a vaccine shall soon be made available.

We hope that Government will also respond to industry demand of restoration of zero rating sales tax regime which was rescinded from July 2019, the release of outstanding sales tax and income tax refunds, reduction in energy tariffs and announcement of the much awaited Textile Policy 2020-25.

The installation of new back process and finishing machinery imported under CAPEX/BMR plan earlier approved by board has been completed whereas installation of new Ring spinning frames & solar power is in process. We expect this investment to significantly contribute to our revenues/profitability.

Chairman's review

The Chairman review is annexed to the annual audited financials, briefly explaining the overall performance of the Board of Directors along with performance of the Board members and its committees and their effective role in meeting the challenges being faced.

Corporate governance and Financial Reporting Framework

The Directors of your Company are pleased to state that the Company is in compliance with the provisions of Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan.

As a part of the compliance with the requirements of Code of Corporate Governance and the Companies Act, 2017, we confirm the following;

- The Financial statements have been drawn in conformity with the Companies Act, 2017. These present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of the accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The Board understands its responsibility to ensure that adequate and effective internal controls are in place. It evaluates the compliance of internal control by reviewing the internal audit reports of the internal audit department, which regularly reviews the design and effectiveness of control. Deficiencies, if any, are reported to the board and corrective actions are taken.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements. During the year company has adopted IFRS 16 “leases” and required adjustments have been made in the financial statements.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same are disclosed as contingent liabilities in the notes to the accounts.
- There is no significant doubt about the Company’s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- We have an Audit Committee, and HR & Remuneration Committee the members of which are from the Board of Directors and the Chairman both committee is an independent director.
- The Board has adopted a Vision, Mission and a Statement of Overall Corporate Strategy.
- The key operating and financial data of the Company for last six years is given below;

Year ended	30 June					
	2020	2019	2018	2017	2016	2015
Property, plant & equipment (Rs. 000)	2,477,022	2,348,712	1,474,298	1,270,674	1,332,206	1,121,135
Net worth (Rs. 000)	426,766	467,508	389,864	390,992	341,318	362,676
Production (Kgs. 000)	7,124	7,696	6,975	7,122	7,284	7,274
Sales (Rs. 000)	2,590,719	2,966,457	2,243,619	2,229,999	2,227,640	2,405,277
Gross Profit (Rs. 000)	213,054	310,150	214,959	180,116	132,131	209,505
Profit from operations (Rs. 000)	103,774	202,191	126,945	110,975	51,330	119,207
(Loss) / profit after tax (Rs. 000)	(65,228)	66,965	10,471	34,942	(19,427)	20,851
(loss) / earnings per share (Rs.)	(3.14)	3.22	0.50	1.68	(0.93)	1.00
No. of Spindles installed	35,280	35,280	35,280	35,280	35,280	35,280

Board of Directors along with Attendance of Board Meetings

During the year five meetings of the Board of Directors, five meetings of the Board Audit Committee and one meeting of the HR & remuneration Committee were held. Attendance of the Director is as under:

Sr. #	Director	Category	Committees		Attendance		
			Board Audit Committee	HR & Remuneration Committee	Board Of Directors	Board Audit Committee	HR & Remuneration Committee
1.	Osman Saifullah Khan	Non-Executive Director	-	-	4/5	-	-
2.	Assad Saifullah Khan	Executive Director	-	✓	5/5	-	-
3.	Hoor Yousafzai	Non-Executive Director	✓	✓	3/5	4/5	1/1
4.	Sardar Aminullah Khan	Independent Director	✓	-	0/2	1/5	-
5.	Abdul Rehman Qureshi	Independent Director	✓	✓	5/5	5/5	1/1
6.	Rana Muhammad Shafi	Non-Executive Director	-	-	5/5	-	-
7.	Zaheen Ud Din Qureshi	Non-Executive Director	-	-	5/5	-	-

Leave of absence was granted to the Directors who were unable to attend Board meetings.

* Jehangir Saifullah Khan retired from the Board of Directors upon completion of term of the board.

* Sardar Aminullah Khan was appointed on February 03, 2020 as second independent director.

Composition of the Board

The Board of Directors as at June 30, 2020 consist of;

Directors	Numbers
a) Male	6
b) Female	1

Composition	Numbers
a) Independent Directors	2
b) Other Non-Executive Directors	3
c) Executive Director	1
d) Female Director	1

Code of conduct

The code of conduct has been communicated and acknowledged by each director and employee of the company.

Performance evaluation of Directors on the Board

The Board of Directors of your Company comprises of highly professional individuals. All members possess reasonable qualifications, high caliber and diversified experience. Furthermore, they have in-depth knowledge of business processes and strategic vision. The Board comprises of seven members including two independent directors having professional experience in various business disciplines.

The board has adopted a highly structured process to evaluate its own performance, as well as individual performances of every member. Comprehensive questionnaires are developed in this regard to ensure the growth targets of the Company. The responses to these questionnaires are discussed in detail after being compiled at different board meetings. The foremost role of the board is to ensure its performance in fulfillment of its fiduciary responsibilities, providing strategic guidance and vision through target setting of the management ultimately complying the statutory requirements relating with policies, international standards and best practices.

While developing respective committees, the Board has established specific roles, guidelines and responsibilities through some terms of references for each committee. The overall performance of the board remained satisfactory.

Review of CEO's performance

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

Efforts for sustainable financial growth, increased customer base and stronger human capital are some of key stones of success of CEO in current year.

Director's training

The directors of the Company are adequately trained to perform their duties, and are aware of their powers and responsibilities under the Companies Act 2017.

Directors' Remuneration

The remuneration of the Board members is approved by Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding his/her remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. Please refer note 42 of the Financial Statements for information on remuneration of Chief Executive Officer and Directors for the year ended June 30, 2020.

Safeguarding of Records

The Company puts great emphasis for storage and safe custody of its financial records. The Company is using Microsoft Dynamics-ERP for recording its financial information. The access to electronic documentation has been secured through implementation of a comprehensive password protected authorization system.

Human Resource Management

Human resource planning and management is one of the most important considerations with senior management. The Company has established HR& R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending in the human resource policies and procedures and their periodic review.

Corporate Social Responsibility

We strongly feel the importance in service to humanity and try to ensure that best possible benefits should pass on to the deserving. Company has provided free land for Social Security dispensary and also free building to school. Company arranged the cricket matches between the team of different local organizations and cash prizes were also distributed. During the year company provided the opportunity to perform umrah to five employees elected through balloting. We also encourage our team members to dedicate their time and to take active participation in such activities. The Company was also presented Corporate Philanthropy Award 2016.

Retirement Benefit Funds

The Company operates a non-funded defined benefit plan (gratuity scheme) for its permanent employees. The latest actuarial valuation was carried out on June 30, 2020.

Health, Safety and Environment

We feel our responsibility in maintaining best possible standards towards health and safety of not only of our dedicated employees but also the people near our factory premises. Life insurance and medical insurance is provided to employees. Proper first aid medical assistance is provided in factory in case of any injury. A dedicated social security dispensary is also located in front of our factory premises. We also ensure the compliance of our production facility with ISO health and safety standards. Our production facility does not discharge any harmful material. However, we have strict compliance towards wastage and disposal.

Risk Management and Adequacy of Internal Control

The Company's risk management policy involves is to continually assess the control environment to prevent and build resilience against any internal and external threats, both anticipated and unforeseen.

The Company's principal financial liabilities comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities are to finance the capital expenditure in balancing, modernization & replacement and company's operations.

The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

Corporate Briefing Session

The Company held its annual Corporate Briefing Session (CBS) on November 20, 2019 at 3rd Floor, City Centre, Main Bank Road, Rawalpindi. We consider CBS as an opportunity to interact with the stakeholders and prospective investors, whereby the Company takes the opportunity to apprise the local and foreign investors about the business environment and economic indicators of the country, explain its financial performance, competitive environment in which the Company operates, investment decisions, challenges faced as well as business outlook.

Transaction with Related Parties

All transactions with related parties during the year were carried out at arm's length and were placed before the Board Audit Committee and the Board for review and approval. These transactions were made and disclosed in compliance with Code of Corporate Governance

Customer Focusing

Company believes that its valued customers are the foundation of its business success. Company policies are fully customers focused. A continuous liaison with the market and customers has always enabled your Company to best understand the needs to offer best suitable products and service level to the customers to remain the first choice.

Pattern of Shareholding

The pattern of shareholdings of the Company as at June 30, 2020 is annexed to this report.

Communication

The Company focuses on the importance of the communication with the shareholders. The annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The activities are updated on its website at www.kohattextile.com, on timely basis.

Material changes

There has been no material financial event took place subsequently to close of the financial year 2019-20, having any adverse impact over financial position of the Company.

Auditors

The present auditors, Shinewing Hameed Chaudhri & Co. Chartered Accountants, will retire on the conclusion of the Annual General Meeting of the Company and being eligible; have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their appointment as auditors of the Company for the year ending June 30, 2021.

'Safety First' and acknowledgment

The Board by recognizing its social responsibility arising out of the virus outbreak, has adopted the policy of "Safety First" and ensured all necessary SOPs.

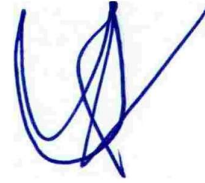
The Board records its appreciation of the performance of the Company's workers, staff and executives more especially in these hard times. Also, the Board appreciates for the support of our bankers and our valued customers. We look forward to the same dedication and cooperation in the days ahead The Board acknowledges continued diligence and devotion of the staff and workers of the company and good working relations at all levels. . Also, the Board appreciates for

the support of our bankers and our valued customers. We look forward to the same dedication and cooperation in the days ahead.

For and on Behalf of the Board



Assad Saifullah Khan
Chief Executive Officer



Rana Muhammad Shafi
Director

Place: Islamabad

Dated: October 07, 2020

KOHAT TEXTILE MILLS LIMITED
PATTERN OF SHAREHOLDINGS
As at June 30, 2020

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL SHARES HELD
461	1	100	26,016
151	101	500	48,757
50	501	1,000	45,900
59	1001	5,000	155,608
12	5001	10,000	94,324
7	10001	15,000	95,873
1	15001	20,000	20,000
4	20001	25,000	92,950
2	25001	30,000	56,804
1	30001	35,000	31,500
1	45001	50,000	50,000
3	55001	60,000	174,500
1	95001	100,000	97,000
1	115001	120,000	116,704
1	120001	125,000	125,000
1	195001	200,000	200,000
1	1070001	1,075,000	1,070,500
1	2075001	2,080,000	2,078,554
1	16220001	16,225,000	16,220,010
759	T O T A L = >		20,800,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	%AGE OF CAPITAL
Directors and Chief Executive Officer and their spouses and minor children	8	64,000	0.31
<i>Associated Company</i>	1	16,220,010	77.98
NIT & ICP	2	5,100	0.02
Banks, Development Financial Institutions, Non Banking Financial Institutions	6	2,081,126	10.01
Joint Stock Companies	6	207,059	1.00
Insurance Companies	1	200	0.00
Funds	2	3,650	0.02
General Public	726	2,215,355	10.65
Others	7	3,500	0.02
Total	759	20,800,000	100.00

**KOHAT TEXTILE MILLS LIMITED
PATTERN OF SHAREHOLDINGS**

As at June 30, 2020

<i>S NO</i>	<i>NAME OF SHAREHOLDERS</i>	<i>SHARE HELD</i>	<i>Percentage</i>
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Directors, Chief Executive, and their Spouse and Minor Children

1	Osman Saifullah Khan	55,500	0.3
2	Assad Saifullah Khan	500	0.0
3	Hoor Yousafzai	500	0.0
4	Shereen Saifullah Khan	5,000	0.0
5	Abdul Rehman Qureshi	900	0.0
6	Sardar Aminullah Khan	500	0.0
7	Rana Muhammad Shafi	600	0.0
8	Zaheen-ud-Din Qureshi	500	0.0
		64,000	0.31

Associated Company

1	Saif Holdings Limited		
Total		16,220,010	77.98

NIT & ICP

1	Investment Corporation of Pakistan	4,350	0.02
2	National Bank of Pakistan	750	0.00
Total		5,100	0.02

Banks, Development Financial Institutions, Non Banking Financial Institutions

1	IDBL (ICP Unit)	400	0.00
2	Muslim Commercial Bank Ltd.	2,000	0.01
3	Habib Bank Limited	100	0.00
4	Bank of Bahawalpur Limited	50	0.00
5	National Bank of Pakistan	22	0.00
6	National Bank of Pakistan	2,078,554	9.99
Total		2,081,126	10.01

Joint Stock Companies

1	Fateh Textile Mills Limited.	50	0.00
2	Maple Leaf Capital Limited.	1	0.00
3	Seven Star Securities (Pvt.) Limited.	1,000	0.00
4	Muhammad Munir Muhammad Ahmed Khanani Securities	6,000	0.03
5	Adeel Zafar Securities (Pvt) Limited.	200,000	0.96
6	Sultan Textile Mills (Karachi) Limited.	8	0.00
Total		207,059	1.00

KOHAT TEXTILE MILLS LIMITED
PATTERN OF SHAREHOLDINGS
As at June 30, 2020

<i>S NO</i>	<i>NAME OF SHAREHOLDERS</i>	<i>SHARE HELD</i>	<i>Percentage</i>
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Insurance Companies

1	E.F.U. Ins. Co. Ltd.	Total	200	0.00
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Funds

1	Trustee National Bank Of Pakistan Employees Pension Fund		3,526	0.02
2	Trustee National Bank Of Pakistan Emp Benevolent Fund		124	0.00
	Total		3,650	0.02

<i>General Public (Local)</i>	<i>Total</i>	2,215,355	10.65
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OTHERS

1	The Pak Ismailia Cooperative		350	0.00
2	Naseer Shaheed Ltd		300	0.00
3	Mollasses Export Co. Ltd.		100	0.00
4	Murree Brewery Co. Ltd.		50	0.00
5	United Executors & Trustee		2,200	0.01
6	Ambreen Silk Mills		400	0.00
7	Azeem Services (Pvt) Ltd,		100	0.00
	Total		3,500	0.02

20,800,000	100
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Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Kohat Textile Mills Limited For the year ended June 30, 2020

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

1. The total number of directors are Seven (07) as per the following:

a) Male	:	06
b) Female	:	01

2. The composition of the Board is as follows:

Category	Names
a) Independent Directors*	Mr. Abdul Rehman Qureshi Sardar Aminullah Khan
b) Non-Executive Directors	Mr. Osman Saifullah Khan Ms. Hoor Yousafzai Rana Muhammad Shafi Mr. Zaheen Uddin Qureshi
c) Executive Director	Mr. Assad Saifullah Khan
d) Female Director	Ms. Hoor Yousafzai

*Fractional requirement for independent directors has not been rounded up as one and presently the Company has two independent directors. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, therefore, the appointment of a third independent director is not warranted.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Company is fully compliant with the requirements of Directors' Training Program under these Regulations. None of the directors attended any Directors' Training during the year;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:
 - a) **Audit Committee**

Mr. Abdul Rehman Qureshi	-	(Chairman)
Ms. Hoor Yousafzai	-	(Member)
Sardar Aminullah Khan	-	(Member)
 - b) **HR and Remuneration Committee**

Mr. Abdul Rehman Qureshi	-	(Chairman)
Ms. Hoor Yousafzai	-	(Member)
Mr. Assad Saifullah Khan	-	(Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee during the year 2019-20, were as per following:
 - a) **Audit Committee** - Five (05) Meetings
 - b) **Human Resource and Remuneration Committee** - One (01) Meeting
15. The Board has set up an effective internal audit function and the persons assigned the responsibilities are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

for and on behalf of the Board



OSMAN SAIFULLAH KHAN
CHAIRMAN

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KOHAT TEXTILE MILLS LIMITED**

**Review Report on the Statement of Compliance Contained in
the Listed Companies (Code of Corporate Governance) Regulations, 2019**

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

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

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

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

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

Shinewing Hameed Chaudhri & Co.

Place: Lahore
Dated: 07 October 2020

**SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**
Audit Engagement Partner: Osman Hameed Chaudhri

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KOHAT TEXTILE MILLS LIMITED**

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 18.1.2 to these financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess (GIDC) aggregating Rs.319.934 million demanded by Sui Northern Gas Pipelines Limited. Our report is not modified in respect of this matter.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	<p>Impact of COVID-19</p> <p>Refer note 46 to the financial statements regarding the impact of COVID-19.</p> <p>In relation to accounting and reporting obligation, the management is responsible to assess the possible effects of COVID-19 on the Company's operations, liquidity and its ability to continue as a going concern and appropriately disclose the results of its assessment in the financial statements. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the financial statements its effects are subject to uncertainty.</p> <p>The management prepared a financial and liquidity risk analysis addressing amongst others future compliance with financing conditions as well as financing and cash requirements to ensure continuation of the Company's operations.</p> <p>The COVID-19 pandemic is a significant development during the year having the most significant impact on audit strategy and involved assessment of significant management judgments in the preparation of financial statements. Therefore, we considered it to be a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> - obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the appropriate audit strategy; - evaluated the Company's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts; - discussed the most recent forecast with management to understand their views on going concern and the potential impact of COVID-19 on the Company; - obtained the computation of NRV and checked its reasonableness; - evaluated management's assessment as to whether any provisions were required to be recorded as a result of COVID-19; - evaluated the Company's assessment of other accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19; and - considered the appropriateness of the disclosures made in the financial statements in respect of the potential impact of COVID-19.
2.	<p>First time adoption of IFRS 16 'Leases'</p> <p>As referred in note 2.4.1(a) to the financial statements, the Company has adopted IFRS 16 'Leases' (the standard) with effect from July 01, 2019.</p> <p>The standard has introduced a new accounting model for operating lease contracts for lessees. As per the new requirements, the Company is required to recognise right-of-use assets for leased assets and liabilities for the lease payments over the lease term.</p> <p>The application of new standard requires management to make significant estimates and judgments such as determination of lease terms and appropriate discount rate for measurement of lease liability.</p> <p>We considered the adoption of the standard as a key audit matter due to the significance of the accounting changes and the involvement of significant management judgments in respect of application of new standard.</p>	<p>Our audit procedures to review the application of IFRS 16, amongst others, included the following:</p> <ul style="list-style-type: none"> - evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of leases in the financial statements; - Obtained an understanding of the process and control in place for identification of lease contracts; - corroborated the completeness of leases identified by the management by reviewing and analysing the existing lease arrangements as of the date of initial application of the standard and reviewing the rent expenses ledger for the year; - performed independent checks of lease accounting computations for lease contracts through reperformance of such computation and tracing the terms with the relevant lease contracts; - evaluated the appropriateness of assumptions used by the management in measuring the lease liabilities such as discount rate and lease term; and - Assessed the appropriateness of the related disclosures made by the management in the Company's financial statements.

S.No.	Key audit matters	How the matter was addressed in our audit
3.	<p>Contingencies</p> <p>The Company is subject to litigations involving different courts pertaining to different legal and taxation matters, which require management to make assessment and judgements with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to magnitude of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<ul style="list-style-type: none"> - In response to this matter, our audit procedures included: - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances; - Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations; - We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets; and - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgement 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 auditors' 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 upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & co.

Place: Lahore
Dated: 07 October 2020

**SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**

Kohat Textile Mills Limited
Statement of Financial Position
As at June 30, 2020

	2020	2019
Note	---- Rupees in '000 ----	
Equity and Liabilities		
Share Capital and Reserves		
Authorised capital 22,000,000 ordinary shares of Rs.10 each	<u>220,000</u>	220,000
Issued, subscribed and paid-up capital	5 <u>208,000</u>	208,000
Revenue reserve - Unappropriated profit	218,766	259,508
Capital reserve - Surplus on Revaluation of Property, Plant and Equipment	6 <u>1,224,529</u>	1,240,387
Total Shareholders' equity	<u>1,651,295</u>	1,707,895
Non-current Liabilities		
Loan from the Holding Company	7 <u>100,000</u>	100,000
Long term financing	8 <u>442,192</u>	183,741
Long term deposits	9 <u>2,280</u>	1,877
Lease liabilities	10 <u>9,081</u>	10,779
Deferred income - government grant	11 <u>1,996</u>	-
Deferred liability - staff retirement benefits	12 <u>111,585</u>	115,979
Deferred taxation - net	13 <u>117,790</u>	168,317
	<u>784,924</u>	580,693
Current Liabilities		
Trade and other payables	14 <u>411,343</u>	394,290
Contract liabilities	<u>7,377</u>	4,099
Accrued mark-up / profit	15 <u>44,292</u>	33,320
Short term borrowings	16 <u>649,517</u>	699,557
Current portion of non-current liabilities	17 <u>62,242</u>	90,567
Unpaid dividend	<u>166</u>	77
Unclaimed dividend	<u>963</u>	3,687
	<u>1,175,900</u>	1,225,597
	<u>1,960,824</u>	1,806,290
Contingencies and Commitments	18	
	<u>3,612,119</u>	<u>3,514,185</u>

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



Chief Executive Officer



Director



Chief Financial Officer

Kohat Textile Mills Limited
Statement of Financial Position
As at June 30, 2020

	2020	2019
Note	----- Rupees in '000 -----	
Assets		
Non-current Assets		
Property, plant and equipment	19 2,477,022	2,348,712
Intangible assets	20 649	1,355
Long term investment	21 2,450	2,500
Long term loans	22 1,527	1,459
Long term deposits	1,816	1,137
	2,483,464	2,355,163
Current Assets		
Stores, spare parts and loose tools	23 34,544	36,061
Stock-in-trade	24 398,667	668,237
Trade debts	610,367	307,669
Loans and advances	25 11,031	6,185
Deposits, other receivables and prepayments	26 14,726	17,086
Taxation - net	27 46,323	75,263
Sales tax refundable	-	41,216
Cash and bank balances	28 12,997	7,305
	1,128,655	1,159,022
	3,612,119	3,514,185

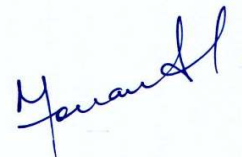
The annexed notes form an integral part of these financial statements.



Chief Executive Officer



Director



Chief Financial Officer

Kohat Textile Mills Limited
Statement of Profit or Loss &
Other Comprehensive Income
For the Year Ended June 30, 2020

	Note	2020 --- Rupees in '000 ---	2019
Sales - net	29	2,590,719	2,966,457
Cost of sales	30	(2,377,665)	(2,656,307)
Gross profit		213,054	310,150
Distribution cost	31	(27,200)	(22,700)
Administrative expenses	32	(80,637)	(73,106)
Other income	33	2,157	754
Other expenses	34	(3,600)	(12,907)
Profit from operations		103,774	202,191
Finance cost	35	(180,655)	(115,957)
(Loss) / profit before taxation		(76,881)	86,234
Taxation	36	11,653	(19,269)
(Loss) / profit after taxation		(65,228)	66,965
Other Comprehensive Income / (loss)			
Items that will not be reclassified subsequent to statement of profit or loss:			
- gain on remeasurement of staff retirement benefit obligation		29,478	7,024
- surplus on revaluation of property, plant and equipment		-	842,494
- impact of deferred tax		-	(21,115)
- unrealised loss on remeasurement of investment at fair value through other comprehensive income		(50)	-
		29,428	828,403
Total comprehensive (loss) / income		(35,800)	895,368
----- Rupees -----			
(Loss) / earnings per share - basic and diluted	37	(3.14)	3.22

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



Chief Executive Officer



Director



Chief Financial Officer

Kohat Textile Mills Limited
Statement of Cash Flows
For the Year Ended June 30, 2020

	2020	2019
	--- Rupees in '000 ---	
Cash flow from operating activities		
(Loss) / profit for the year - before taxation	(76,881)	86,234
Adjustments for non-cash and other charges:		
Depreciation	79,281	72,811
Amortisation	706	706
Staff retirement benefits - gratuity (net)	25,084	14,877
Unclaimed payable balances written-back	(136)	(26)
(Gain) / loss on sale of operating fixed assets	(625)	4,495
Finance cost	178,790	114,454
Profit before working capital changes	206,219	293,551
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	1,517	(585)
Stock-in-trade	269,570	(185,666)
Trade debts	(302,698)	27,839
Loans and advances	(4,846)	2,948
Deposits and short term prepayments	2,360	265
Sales tax refundable	41,216	(18,222)
(Decrease) / increase in current liabilities:		
Trade and other payables	17,268	94,064
Contract liabilities	3,278	(907)
	27,665	(80,264)
Cash generated from operating activities	233,884	213,287
Income tax paid	(9,934)	(21,400)
Long term loans - net	(68)	592
Net cash generated from operating activities	223,882	192,479
Cash flow from investing activities		
Additions to property, plant and equipment	(210,115)	(106,542)
Sale proceeds of operating fixed assets	3,149	7,646
Long term investment made	-	(2,500)
Net cash used in investing activities	(206,966)	(101,396)
Cash flow from financing activities		
Long term financing - obtained	292,849	66,655
- repaid	(61,873)	(56,153)
Lease liabilities - net	(1,311)	(1,329)
Long term deposits	403	(1,189)
Short term borrowings - net	(50,040)	11,221
Finance cost paid - net	(167,817)	(96,479)
Dividend paid	(23,435)	(15,570)
Net cash used in financing activities	(11,224)	(92,844)
Net increase / (decrease) in cash and cash equivalents	5,692	(1,761)
Cash and cash equivalents - at beginning of the year	7,305	9,066
Cash and cash equivalents - at end of the year	12,997	7,305

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



Chief Executive Officer



Director



Chief Financial Officer

Kohat Textile Mills Limited
Statement of Changes In Equity
For the Year Ended June 30, 2020

	Share Capital	Revenue reserve Unappropriated profit	Capital reserve Revaluation surplus on property, plant and equipment	Total
	----- Rupees in '000 -----			
Balance as at July 01, 2018	208,000	181,864	438,263	828,127
Transactions with owners				
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	(15,600)	-	(15,600)
Total Comprehensive income for the year ended June 30, 2019				
Profit for the year	-	66,965	-	66,965
Other comprehensive income	-	7,024	821,379	828,403
	-	73,989	821,379	895,368
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):				
- on account of incremental depreciation	-	17,100	(17,100)	-
- upon sale of revalued assets	-	2,155	(2,155)	-
Balance as at June 30, 2019	208,000	259,508	1,240,387	1,707,895
Transactions with owners				
Cash dividend for the year ended June 30, 2019 at the rate of Re.1 per share	-	(20,800)	-	(20,800)
Total Comprehensive (loss) / income for the year ended June 30, 2020				
Loss for the year	-	(65,228)	-	(65,228)
Other comprehensive income	-	29,428	-	29,428
	-	(35,800)	-	(35,800)
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)	-	15,858	(15,858)	-
Balance as at June 30, 2020	208,000	218,766	1,224,529	1,651,295

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



Chief Executive Officer



Director



Chief Financial Officer

Kohat Textile Mills Limited

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

Kohat Textile Mills Limited (the Company) is a public limited Company incorporated in Pakistan during the year 1967 and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Kohat	Purpose
Saifabad	Mills / factory
Peshawar	
APTMA house, Tehkal Payan, Jamrud Road	Registered office
Rawalpindi	
City centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2nd Floor, The Plaza, Block-9, Clifton	Marketing office
Faisalabad	
Sooter Mandi	Marketing office

1.2 The Company is a Subsidiary Company of Saif Holding Limited (the Holding Company) as 77.98% (2019: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

2.4 New and amended standards and interpretations

2.4.1 Standards, amendments to approved accounting standards effective in the current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2019:

- (a) The Company has adopted IFRS 16 'Leases' from July 01, 2019. The standard introduces a single, on-balance sheet accounting model for leases. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. The standard removes distinction between operating and finance leases and requires recognition of an asset (the-right-of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors does not significantly changed.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initial application to be recognized in retained earnings at July 1, 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

The changes in accounting policies are as follows:

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Upon adoption of IFRS 16 the Company recognizes right-of-use assets and lease liabilities for leases on the statement of financial position. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some of the lease contracts of the Company are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term, the Company concluded that such contracts are of short-term in nature. The Company recognizes the lease payments associated with these lease contracts as an expense in statement of profit or loss.

The revised accounting policies with respect to right-of-use asset and related lease liabilities are disclosed in notes 4.2 and 4.10. For reclassification adjustment of assets that have been reclassified from leased assets to right-of-use assets refer note 19 to these financial

- (b) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', are effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments do not have any material impact on the Company's financial statements.
- (c) Amendment to IAS 23 'Borrowing Costs', as part of the annual improvements 2017 applicable for annual periods beginning on or after January 1, 2019. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non qualifying assets – are included in that general pool. This amendment will be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2020 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:

- (a) Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors is applicable on accounting periods beginning on or after January 1, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.
- (b) The International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The Companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, Companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- (c) Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is applicable for accounting periods beginning on or after January 1, 2022. Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. The amendments do not have any material impact on the Company's financial statements.
- (d) Amendments to IAS 16 'Property, Plant and Equipment' effective for the annual period beginning on or after January 1, 2022. These amendments clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. The amendment do not has any material impact on the Company's financial statements.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified. Useful lives, residual values and depreciation method of property, plant and equipment are stated in notes 4.9 & 19.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale - note 4.12 & 4.13.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years for the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery - note 4.14.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 4.4 & 12.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability - note 4.6.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Borrowings and borrowing cost

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

4.2 Leases

The Company leases vehicles, office buildings and hostel. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until June 30, 2019, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4.3 Government grants

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The entity considers the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

4.4 Staff retirement benefits (gratuity)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2020 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

4.5 Trade and other payables

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

4.6 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

(a) Current year

Provision for current taxation is based on taxable income / turnover at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments, where necessary, relating to prior years, which arise from assessments framed / finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.7 Dividend distribution

Dividend distribution to the Company's shareholders are recognised in the period in which these are approved.

4.8 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.9 Property, plant and equipment

Operating fixed assets, other than fire extinguishing equipment, furniture & fixtures, vehicles and live stock, are stated at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of asset and the net amount is restated to the revalued amount of asset. Fire extinguishing equipment, furniture & fixtures, vehicles and live stock are stated at historical cost less accumulated depreciation. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation is taken to statement of profit or loss applying reducing balance method, except for overhauling of gas fired power plant, so as to write-off the depreciable amount of an asset over its remaining useful life. Depreciation on overhauling of gas fired power plant is charged to the statement of profit or loss using straight line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Rates of depreciation are stated in note 19.1.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

4.10 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

4.11 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 20.

4.12 Financial assets

Initial measurement

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

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- ***Equity Instruments at FVTOCI***

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTOCI***

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- **Financial Assets measured at amortised cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.13 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated up to the statement of financial position date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.14 Stock-in-trade

Basis of valuation are as follows:

Particulars

Mode of valuation

Raw materials:

At mills

At lower of moving average cost and market value.

In transit

At cost accumulated to the statement of financial position date.

Work-in-process

At manufacturing cost.

Finished goods

At lower of cost and net realisable value.

Waste

At contracted rates.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.15 Trade debts and other receivables

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

4.16 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flow, cash and cash equivalents comprise of cash-in-hand and balances with banks.

4.17 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events 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 obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on the reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

4.19 Impairment

(a) Financial assets

The Company assesses on a forward looking basis for the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for calculation of ECL.

For debt instruments measured as FVTOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments past due for a reasonable period of time. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.20 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.21 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;
- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

4.22 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 44 to these financial statements.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
--- No. of shares ---			--- Rupees in '000 ---	
14,525,400	14,525,400	ordinary shares of Rs.10 each fully paid in cash	145,254	145,254
6,274,600	6,274,600	ordinary shares of Rs.10 each issued as fully paid-up by conversion of loans and debentures	62,746	62,746
<u>20,800,000</u>	<u>20,800,000</u>		<u>208,000</u>	<u>208,000</u>

5.1 Saif Holding Ltd. (the Holding Company) held 16,220,010 ordinary shares of the Company as at June 30, 2020 and June 30, 2019.

5.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding.

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net

6.1 The Company revalued its freehold land, buildings on freehold land, plant & machinery, diesel generators & fuel reservoir, gas fired power plant, electric installations and equipment and appliances during the financial years 1984, 1995, 2004, 2005, 2008, 2012, 2016 and 2019. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values.

6.2 The latest revaluation exercise was carried-out by M/s. Hamid Mukhtar (Pvt.) Ltd. (Independent Valuers and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation exercise has been credited to this account.

	2020	2019
Note	--- Rupees in '000 ---	---
Opening balance	1,364,195	548,820
Add: surplus arisen on revaluation carried out in the preceding year	-	842,494
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	(22,335)	(24,084)
- upon sale of revalued assets	-	(3,035)
	1,341,860	1,364,195
Less: deferred tax on:		
- opening balance of surplus	123,807	110,557
-surplus on revaluation carried out at the year end	-	21,115
- incremental depreciation for the year	(6,477)	(6,984)
- sale of revalued assets	-	(880)
	117,330	123,807
Closing balance	1,224,530	1,240,388
7. LOAN FROM THE HOLDING COMPANY - unsecured	2020	2019
	--- Rupees in '000 ---	---
Sub-ordinated loan	7.1 100,000	100,000

7.1 The Company had entered into a loan agreement with Saif Holdings Ltd. (the Holding Company) on October 21, 2009; salient terms of the agreement were as follows:

- (a) the terms of loan agreement were effective from April 09, 2009;
- (b) the Holding Company lent an unsecured loan amounting Rs.100 million to the Company on April 09, 2009 to meet its financial obligations;
- (c) as per the original agreement terms, loan carried mark-up at the rate of 3-months KIBOR + 2% payable quarterly; however, from January, 2013 the rate of mark-up was revised to average borrowing cost of the Holding Company + 0.1% per annum; and
- (d) originally the maturity period of the loan was five years and the loan become payable in April, 2014. However, as the loan is sub-ordinated to the finance facilities availed / to be availed by the Company from National Bank of Pakistan, Albaraka Islamic Bank Ltd., The Bank of Punjab, United Bank Ltd. and First National Bank Modaraba and the loan could not be repaid till their final settlement; therefore, the Company and the Holding Company mutually agreed to renew the loan agreement for further period of five years. Both the parties then again in June 2018, May 2019 and in June 2020 revised the repayment terms. As per the latest agreement, the loan is repayable after April, 2022. The Company is on the active stage of its request with relevant financial institutions regarding the change of status of the sub-ordinated loan and is quite optimistic that same will be proceeded in the financial year 2021.

The effective mark-up rate charged by the Holding Company, during the current financial year, ranged from 12.48% to 15.87% (2019: 7.77% to 13.07%) per annum.

8. LONG TERM FINANCING - Secured	Note	2020 --- Rupees in '000 ---	2019 ---
Askari Bank Limited (ABL)			
Diminishing musharakah	8.1	-	22,500
Bank of Khyber (BoK)			
Demand finance	8.2	209,989	249,363
Demand finance (under refinance scheme for payment of wages and salaries)	8.3	43,682	-
National Bank of Pakistan (NBP)			
Demand finance	8.4	144,312	-
The Bank of Punjab (BOP)			
Term finance	8.5	99,316	-
		<u>497,299</u>	<u>271,863</u>
Less: current portion grouped under current liabilities		55,107	88,122
		<u>442,192</u>	<u>183,741</u>

- 8.1** The Company, during the financial year ended June 30, 2015, arranged a diminishing musharakah finance facility of Rs.120 million from ABL. This finance facility was repayable in 48 equal monthly instalments of Rs.2.500 million each. This finance facility carried profit at the rate of 6-months KIBOR + 100 basis points per annum payable monthly; effective profit rate charged, during the current financial year, ranged from 12.05% to 14.90% (2019: 7.51% to 12.20%) per annum. This finance facility was secured against first pari passu charge on fixed assets of the Company for Rs.160 million.
- 8.2** The Company, during the financial year ended June 30, 2018, arranged a demand finance facility of Rs.300 million from BoK. The bank, against the said facility, disbursed in aggregate Rs.262.486 million during the preceding and current financial year. This finance facility is repayable in 20 equal quarterly instalments commenced March, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable semi annually; effective mark-up rate charged, during the current financial year, ranged from 14.23% to 14.59% (2019: 8.14% to 11.90%) per annum. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million.
- 8.3** The Company, during the current financial year, arranged a demand finance facility of Rs. 80 million from BoK under the State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries. Due to the effects of COVID-19 pandemic, SBP took various steps to support the economy and this Refinance Scheme was part of those steps. According to conditions of the Scheme, the Company after availing this loan will not to lay off their workers / employees at least during three months from the date of first disbursement. The bank, against the said facility, disbursed Rs.49.222 million till the reporting date. This finance facility is repayable in 8 equal quarterly instalments commencing January, 2021 and carries mark-up at a reduced rate of 3% per annum, payable on quarterly basis. The finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.130 million.

As the above loan is below-market rate of interest, it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market-related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as Government grant (refer note 11).

- 8.4** The Company, during the current financial year, arranged a demand finance facility of Rs.250 million from NBP. The bank, against the said facility, disbursed Rs.144.312 million till the reporting. This finance facility is repayable in 20 equal quarterly instalments commencing September, 2021. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points per annum payable quarterly; effective mark-up rate charged, during the current financial year was 14.55% per annum. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.333.333 million.
- 8.5** The BOP, as at June 30, 2020, converted a cash finance facility (already utilised by the Company up to Rs.99.316 million) into a term finance facility of Rs.100 million. This finance facility is repayable in 6 equal semi-annual instalments commencing February, 2021. This finance facility carries mark-up at the rate of 6-months KIBOR + 100 basis points per annum payable semi-annually. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.243.334 million.

9. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

10. LEASE LIABILITIES

	2020	2019
	- - - Rupees in '000 - - -	
Lease liabilities*	12,592	13,224
Less: current portion	3,511	2,445
	9,081	10,779

*(2018: liabilities against assets subject to finance leases)

10.1 Movement of lease liabilities after adoption of / under IFRS 16

Opening balance as at July 01,	13,224	-
Addition during the year (leases obtained)	4,229	-
Interest charge for the year	2,023	-
Payment made during the year	(6,884)	-
Closing balance as at June 30,	12,592	-

10.1.1 Maturity analysis of undiscounted lease payments need to be made after the reporting period

Payable less than one year	4,584	-
Payable between:		
one to two year	4,718	-
two to three year	3,970	-
three to five year	1,428	-
	14,700	-

- 10.2** The Company has entered into lease arrangements to acquire vehicles. The liabilities under these finance arrangement are repayable in 60 monthly instalments ending various dates, and carry mark-up at different rates. These facilities, during the current financial year, carried mark-up / profit at the rates ranging from 12.36% to 15.94% (2019: 8.65% to 12.30%) per annum payable. The Company intends to exercise its option to purchase the vehicles upon completion of lease terms. The liabilities are secured against title of the leased vehicles in the name of the bank and post dated cheques of each principal instalment.

- 10.3** The Company has entered into a lease contract for the head office of the Company having lease term of four years. This has been discounted using incremental borrowing rate of the Company.

11. DEFERRED INCOME - GOVERNMENT GRANT	2020	2019
	--- Rupees in '000 ---	
Government grant on loan at below market rate of interest - net	5,620	-
Less: current portion	3,624	-
	<u>1,996</u>	<u>-</u>
11.1	As fully detailed in note 8.3 to the financial statements, the Company has recorded Rs.5.828 million as Government grant on loan at below-market rate of interest, as per the requirements of IAS - 20 'Accounting for government grants and disclosure of government assistance'.	
11.2	The Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.208 thousand has been recognized in the statement of profit or loss.	
12. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS (Gratuity)		
12.1	Projected unit credit method, as allowed under IAS 19 (Employee Benefits), has been used for actuarial valuation based on the following significant assumptions:	
	2020	2019
- discount rate	8.50%	14.25%
- expected rate of increase in salary	7.50%	13.25%
- average expected remaining working life of employees	8.00 years	7.00 years
12.2 Amount recognised in the statement of financial position	2020	2019
	--- Rupees in '000 ---	
Net liability at the beginning of the year	115,979	108,126
Charge to statement of profit and loss	35,307	29,144
Remeasurement recognised in statement of other comprehensive income	(29,478)	(7,024)
Payments made during the year	(10,223)	(14,267)
Net liability at the end of the year	<u>111,585</u>	<u>115,979</u>
12.3 The movement in the present value of defined benefit obligation is as follows:		
Balance at beginning of the year	115,979	108,126
Current service cost	19,508	20,055
Interest cost	15,799	9,089
Benefits paid	(10,223)	(14,267)
Remeasurement of obligation	(29,478)	(7,024)
Balance at end of the year	<u>111,585</u>	<u>115,979</u>
12.4 Charge to statement of profit or loss:		
Current service cost	19,508	20,055
Interest cost	15,799	9,089
	<u>35,307</u>	<u>29,144</u>
12.5 Remeasurements recognised in statement of other comprehensive income		
Experience adjustment	<u>(29,478)</u>	<u>(7,024)</u>

12.6 Sensitivity analysis for actuarial assumptions

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

	Change in assump- tions	Increase in assumptions	Decrease in assumptions
		----- Rupees in '000 -----	
Discount rate		<u>(113,185)</u>	<u>131,664</u>
Increase in salaries		<u>131,863</u>	<u>(112,816)</u>

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

The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the previous period.

12.7 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2020	2019	2018	2017	2016
	----- Rupees in '000 -----				
Present value of defined benefit obligation	<u>111,585</u>	<u>115,979</u>	<u>108,126</u>	<u>95,125</u>	<u>82,806</u>
Experience adjustment on obligation	<u>(29,478)</u>	<u>(7,024)</u>	<u>6,071</u>	<u>5,329</u>	<u>(4,092)</u>

12.8 Based on actuary's advice, the expected charge for the year ending June 30, 2021 amounts to Rs.30.462 million.**13. DEFERRED TAXATION - net**

	Note	2020	2019
		--- Rupees in '000 ---	
The balance of deferred tax is in respect of following major temporary differences			
Taxable temporary difference:			
- accelerated tax depreciation allowances		149,647	142,680
- surplus on revaluation of property, plant and equipment	6	117,330	123,806
- Lease finances		459	514
		<u>267,436</u>	<u>267,000</u>

Deductible temporary difference:

- unused tax losses	(36,895)	(11,904)
- minimum tax recoverable against normal tax charge in future years	(112,751)	(86,779)
	<u>(149,646)</u>	<u>(98,683)</u>
	<u>117,790</u>	<u>168,317</u>

14. TRADE AND OTHER PAYABLES

	Note	2020 --- Rupees in '000 ---	2019
Due to Holding Company	14.1	171	98
Creditors		43,489	45,303
Bills payable	14.2	224,948	278,138
Sales tax payable		22,583	-
Accrued expenses		105,663	60,222
Security deposit	14.3	1,200	500
Workers' (profit) participation fund		-	4,312
Others		13,289	5,717
		<u>411,343</u>	<u>394,290</u>

14.1 The aggregate maximum outstanding balance due to the Holding Company at the end of any month during the year was Rs.194 thousand (2019: Rs.6 thousand).

14.2 These are secured against import documents.

14.3 This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

15. ACCRUED MARK-UP / PROFIT

	2020 --- Rupees in '000 ---	2019
Mark-up / profit accrued on:		
- loan from the Holding Company	3,145	3,258
- long term financing	12,433	7,445
- short term borrowings	28,714	22,617
	<u>44,292</u>	<u>33,320</u>

16. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.975 million (2019: Rs.1,125 million). These facilities, during the current financial year, carried mark-up / profit at the rates ranging from 7.22% to 13.90% (2019: 7.49% to 14.06%) per annum payable on quarterly basis. Facilities available for opening letters of credit / guarantee from various commercial banks aggregate to Rs.1,128 million (2019: Rs.770 million) of which the amounts aggregating Rs.701.556 million (2019: Rs.389.083 million) remained unutilised at the reporting date. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by February, 2021.

17. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2020 --- Rupees in '000 ---	2019
Long term financing	8	55,107	88,122
Lease liabilities	10	3,511	2,445
Government grant	11	3,624	-
		<u>62,242</u>	<u>90,567</u>

18. CONTINGENCIES AND COMMITMENTS**18.1 Contingencies**

18.1.1 Guarantees aggregating Rs.88.462 million (2019: Rs.83.962 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited (SNGPL) and Excise and Taxation Department, Karachi. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

18.1.2 The Gas Infrastructure Development Cess ("GIDC") was firstly imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The government challenged the decision in the Supreme Court ("SC"). The SC upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15th, 2011. While the Ordinance was still in field, the Government sought review of the SC's decision which was also dismissed by the SC. In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers.

The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017 and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SC against the said judgment of PHC. The SC was pleased to decide all petitions in its detailed judgment dated August 13, 2020.

Meanwhile, in 2018, the Company sought interim relief from PHC on the plea that the Company did not pass on GIDC to its end customers and therefore was not liable to pay the GIDC. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company.

It is pertinent to mention that the SC has specifically stated in its judgment dated August 13, 2020 that GIDC is recoverable only from those gas consumers that has passed the burden to its consumer/clients (Para 42). The management maintains that the company is not liable to pay the GIDC because the company is not selling its yarn to the end consumers/retail customers and cannot pass on GIDC to its buyers. The prices of yarn and cotton are determined by the local and international markets based on demand and supply mechanism. Accordingly, the company has filed the review petition in the Supreme Court of Pakistan against the above judgement of SC. In case of adverse decision the contingent liability aggregates to the tune of Rs.97.630 million calculated on the basis of applicable rate of industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised the demand against GIDC of Rs.319.934 million in their bill.

In a writ petition number 3586-P/ 2018 PHC in its judgment dated September 16, 2020 has referred the matter to OGRA being the relevant authority for the determination of the fact whether the Company has passed on GIDC to its customers or not.

18.1.3 The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.46.698 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.

18.1.4 The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018, before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay, against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry in its judgement dated December 11, 2018.

18.2 Commitments

18.2.1 Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.113.034 million (2019: Rs.26.983 million).

18.2.2 The Company has entered into Ijarah arrangements for two vehicles with First Habib Modaraba. Aggregate commitments for rentals under Ijarah arrangements as at June 30, 2020 are as follows:

	Note	2020 --- Rupees in '000 ---	2019
Not later than one year		1,608	-
Later than one year but not later than five years		5,067	-
		<u>6,675</u>	<u>-</u>

19. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	19.1	2,295,191	2,305,073
Right-of-use assets	19.7	13,341	-
Capital work-in-progress	19.8	151,292	219
Stores and spares held for capital expenditure		17,198	43,420
		<u>2,477,022</u>	<u>2,348,712</u>

19.1 Operating fixed assets - tangible

	Owned													Leased	Total	
	Buildings on freehold land					Plant & machinery	Diesel generators & fuel reservoir	Gas fired power plant	Electric installations	Equipment & appliances	Fire extinguishing equipment	Furniture & fixtures	Vehicles	Live-stock		Vehicles
	Freehold land	Factory	Non - factory	Residential officers	Residential workers											
----- Rupees in '000 -----																
COST / REVALUATION																
Balance as at July 01, 2018	188,066	188,582	82,699	63,442	16,918	923,480	6,501	152,178	31,562	52,892	1,460	10,265	29,537	1	5,512	1,753,095
Additions during the year	-	21,550	1,340	2,956	3,899	245,402	-	21,131	4,363	4,271	100	1,581	1,229	-	11,920	319,742
Revaluation surplus	769,684	13,168	9,460	(3,274)	(902)	-	(532)	(10,580)	-	(2,405)	-	-	-	-	-	774,619
Disposals during the year	-	-	-	-	-	(33,606)	-	-	-	-	-	-	(8,607)	-	-	(42,213)
Balance as at June 30, 2019	957,750	223,300	93,499	63,124	19,915	1,135,276	5,969	162,729	35,925	54,758	1,560	11,846	22,159	1	17,432	2,805,243
Balance as at July 01, 2019	957,750	223,300	93,499	63,124	19,915	1,135,276	5,969	162,729	35,925	54,758	1,560	11,846	22,159	1	17,432	2,805,243
Reclassification due to adoption of IFRS 16 as at July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,432)	(17,432)
Additions during the year	-	7,398	827	1,277	848	52,802	-	18,794	307	2,231	69	463	-	-	-	85,016
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	2,446	-	-	2,446
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	(4,845)	-	-	(4,845)
Balance as at June 30, 2020	957,750	230,698	94,326	64,401	20,763	1,188,078	5,969	181,523	36,232	56,989	1,629	12,309	19,760	1	-	2,870,428
DEPRECIATION																
Balance as at July 01, 2018	-	18,255	8,063	23,622	8,623	339,356	3,613	44,499	15,967	35,410	1,248	5,664	20,059	-	927	525,306
Charge for the year	-	9,266	3,745	2,027	967	38,517	217	11,377	840	1,989	27	503	1,825	-	1,511	72,811
Elimination against revaluation surplus	-	(27,521)	(11,808)	-	-	(16,164)	-	-	(12,382)	-	-	-	-	-	-	(67,875)
On disposals during the year	-	-	-	-	-	(23,760)	-	-	-	-	-	-	(6,312)	-	-	(30,072)
Balance as at June 30, 2019	-	-	-	25,649	9,590	337,949	3,830	55,876	4,425	37,399	1,275	6,167	15,572	-	2,438	500,170
Balance as at July 01, 2019	-	-	-	25,649	9,590	337,949	3,830	55,876	4,425	37,399	1,275	6,167	15,572	-	2,438	500,170
Reclassification due to adoption of IFRS 16 as at July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,438)	(2,438)
Charge for the year	-	11,288	4,709	1,912	1,063	41,366	160	13,503	1,586	1,847	32	596	1,219	-	-	79,281
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	544	-	-	544
On disposals during the year	-	-	-	-	-	-	-	-	-	-	-	-	(2,320)	-	-	(2,320)
Balance as at June 30, 2020	-	11,288	4,709	27,561	10,653	379,315	3,990	69,379	6,011	39,246	1,307	6,763	15,015	-	-	575,237
BOOK VALUE AS AT JUNE 30, 2019	957,750	223,300	93,499	37,475	10,325	797,327	2,139	106,853	31,500	17,359	285	5,679	6,587	1	14,994	2,305,073
BOOK VALUE AS AT JUNE 30, 2020	957,750	219,410	89,617	36,840	10,110	808,763	1,979	112,144	30,221	17,743	322	5,546	4,745	1	-	2,295,191
Depreciation rate (%)	-	5	5	5	10	5	7.5	5 & 15	5	10	10	10	20	-	20	

19.1 Borrowing cost at the rate of 14.55% (2019: 8.14%) per annum amounting Rs.6.719 million (2019: 4.096 million) has been included in the cost of plant and machinery.

19.2 Disposal of operating fixed assets - vehicles

Asset Description	Cost/ Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
-----Rupees in '000-----							
Honda Civic	2,399	1,777	622	629	7	Company policy	Mr. Badar-us-Samee (employee)
Toyota Corolla Gli	2,446	544	1,902	2,520	618	Negotiation	Mr. Waris Bhatti
Total - June, 30 2020	4,845	2,321	2,524	3,149	625		
Total - June, 30 2019	42,213	30,072	12,141	7,646	(4,495)		

19.3 Free hold land of the Company and building thereon, is located at Saifabad, Kohat with an area of 193,145 square yards.

19.4 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2020	2019
	--- Rupees in '000 ---	
Freehold land	20,475	20,475
Buildings on freehold land:		
- Factory	85,173	81,997
- Non-factory	12,903	12,748
- Residential		
- Officers	8,454	7,593
- Workers	7,728	7,679
Plant & machinery	670,165	651,434
Diesel generators & fuel reservoirs	539	583
Gas fired power plant	103,712	97,006
Electric installations	13,951	14,375
Equipment & appliances	19,620	19,442
	942,720	913,332

19.5 Based on the latest revaluation exercise carried-out on June 30, 2019, forced sale value of the Company's revalued assets was Rs.1,774.262 million.

19.6 Depreciation for the year has been apportioned as under:

	2020	2019
	--- Rupees in '000 ---	
Cost of sales	76,938	66,463
Administrative expenses	2,343	6,348
	79,281	72,811

19.7 Right-of-use assets

Cost	Vehicles	Buildings	Total
	-----Rupees in '000-----		
Transition effect on initial application	17,432	-	17,432
Recognition due to adoption of IFRS 16	-	4,229	4,229
Transferred to own assets	(2,446)	-	(2,446)
	14,986	4,229	19,215
Accumulated depreciation			
Transition effect on initial application	2,438	-	2,438
Depreciation for the year	2,923	1,057	3,980
Transferred to own assets	(544)	-	(544)
	4,817	1,057	5,874
Net book value at end of the year	10,169	3,172	13,341
Depreciation rate (%)	20	25	

Depreciation expense relating to right of use asset - vehicles and buildings has been charged to administrative expenses.

19.8 Capital work-in-progress

	2020	2019
	--- Rupees in '000 ---	
Factory building	29,093	219
Plant & machinery	119,103	-
Residential building	3,096	-
	151,292	219

20. INTANGIBLE ASSETS - Computer software

Cost	3,532	3,532
Less: amortisation		
- at beginning of the year	2,177	1,471
- charge for the year	706	706
- at end of the year	2,883	2,177
Book value as at June 30,	649	1,355
Amortisation rate - 20% per annum		

21. LONG TERM INVESTMENT

Debt Instruments - <i>at FVTOCI</i>		
Habib Bank Limited - term finance certificates (TFCs)		
Advance for purchase of TFCs	-	2,500
25 Term finance certificates of Rs.100,000 each	2,500	-
Adjustment arising from re-measurement to fair value	(50)	-
	2,450	-
	2,450	2,500

21.1 These carry profit at the rate of 3 months KIBOR + 1.60%. Effective profit rates charged, during the current financial year, ranged from 9.54% to 15.44% per annum.

22. LONG TERM LOANS - Secured

	Note	2020	2019
		--- Rupees in '000 ---	
Loans to employees	22.1	2,777	1,911
Less: current portion grouped under current assets		1,250	452
		1,527	1,459

22.1 Loans provided to employees are interest-free and have been advanced for various purposes and are secured against employees' gratuity benefits. Some of the loans provided to employees are recoverable in lump sum at the time of retirement by way of adjustment against gratuity benefits of the respective employees.

23. STORES, SPARE PARTS AND LOOSE TOOLS		2020	2019
		--- Rupees in '000 ---	
Stores		29,477	19,408
Spare parts		4,937	16,454
Loose tools		130	199
		34,544	36,061

24. STOCK-IN-TRADE			
Raw materials:			
- at mills		274,324	448,664
- in-transit		39,187	182,049
		313,511	630,713
Work-in-process		32,514	37,524
Finished goods		52,642	-
		398,667	668,237

24.1 Raw materials and finished goods inventories are pledged with commercial banks as security for short term finance facilities (note 17).

25. LOANS AND ADVANCES		2020	2019
		--- Rupees in '000 ---	
	Note		
Current portion of long term loans	22	1,250	452
Advances - considered good			
- employees		1,194	1,868
- suppliers		8,587	3,865
		11,031	6,185

26. DEPOSITS, OTHER RECEIVABLE AND PREPAYMENTS			
Security deposits		3,420	5,990
Claims for mark-up subsidy	26.1	10,831	10,831
Short term prepayments		232	265
Other receivables		243	-
		14,726	17,086

26.1 These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

27. TAXATION - net		2020	2019
		--- Rupees in '000 ---	
	Note		
Balance of advance tax at beginning of the year		75,263	64,299
Add: income tax deducted / paid during the year		9,934	21,400
		85,197	85,699
Less: provision made during the year - current	27.2	(38,874)	(10,436)
Balance of advance tax at end of the year		46,323	75,263

27.1 Income tax assessments of the Company have been finalised by the Income Tax Department (the Department) or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) upto Tax Year 2019.

27.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent minimum tax payable under section 113 of the Ordinance.

28. CASH AND BANK BALANCES	2020	2019
	--- Rupees in '000 ---	
Cash in hand	-	169
Cash at banks		
- on current accounts	12,830	7,059
- on dividend account	167	77
	12,997	7,305
29. SALES - Net		
Own manufactured goods:		
- yarn	3,064,047	2,960,864
- waste	15,954	14,169
Trading activities - raw materials	-	1,973
	3,080,001	2,977,006
Less: sales return	14,776	10,549
sales tax	474,506	-
	489,282	10,549
	2,590,719	2,966,457

29.1 All the contracts were with the local customers under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

30. COST OF SALES	Note	2020	2019
		--- Rupees in '000 ---	
Raw materials consumed	30.1	1,687,722	1,941,177
Packing materials consumed		52,065	51,981
Salaries, wages and benefits	30.2	324,862	334,534
Power and fuel		236,388	189,150
Repair and maintenance		34,364	32,786
Depreciation	19.6	76,938	66,463
Insurance		5,696	5,364
Vehicle running and maintenance		3,716	3,302
Traveling and conveyance		524	750
Guest house and entertainment		680	607
Textile cess		35	35
Others		2,307	2,015
		2,425,297	2,628,164
Adjustment of work-in-process			
Opening		37,524	34,162
Closing		(32,514)	(37,524)
		5,010	(3,362)
Cost of goods manufactured		2,430,307	2,624,802
Adjustment of finished goods			
Opening stock		-	31,505
Closing stock		(52,642)	-
		(52,642)	31,505
		2,377,665	2,656,307

30.1 Raw materials consumed		2020	2019
		--- Rupees in '000 ---	
Opening stock		630,713	416,904
Add:			
Purchases		1,369,723	2,151,903
Cost of raw materials sold		-	1,973
Insurance		797	1,110
		1,370,520	2,154,986
		2,001,233	2,571,890
Less: closing stock		313,511	630,713
		1,687,722	1,941,177
30.2	These include Rs.30.717 million (2019: Rs.25.355 million) in respect of staff retirement benefits - gratuity.		
31. DISTRIBUTION COST		2020	2019
	Note	--- Rupees in '000 ---	
Freight and forwarding		17,533	15,427
Travelling and conveyance		1,311	462
Salaries and benefits	31.1	5,898	4,279
Rent, rates and utilities		1,135	643
Communication		67	23
Insurance		453	399
Commission		803	1,233
Others		-	234
		27,200	22,700
31.1	These include Rs.0.353 million (2019: Rs.0.291 million) in respect of staff retirement benefits - gratuity.		
32. ADMINISTRATIVE EXPENSES		2020	2019
	Note	--- Rupees in '000 ---	
Directors' remuneration and fees		12,287	9,270
Salaries and benefits	32.1	33,436	31,803
Travelling and conveyance		1,820	1,622
Rent, rates and taxes		2,669	3,785
Ijarah rentals		1,478	-
Entertainment		1,684	1,364
Communication		1,096	924
Printing and stationery		619	662
Utilities		3,589	3,576
Insurance		5,540	4,576
Vehicles' running and maintenance		2,755	2,873
Repair and maintenance		976	1,002
Advertisement		57	147
Subscription		2,857	1,912
Newspapers & periodicals		61	58
Depreciation related to operating fixed assets	19.6	2,343	6,348
Depreciation related to right of use assets	19.7	3,980	-
Amortisation	20	706	706
Auditors' remuneration	32.2	1,361	1,070
Legal and professional (other than Auditors)		879	836
Others		444	572
		80,637	73,106

32.1 These include Rs.4.237 million (2019: Rs.3.497 million) in respect of staff retirement benefits - gratuity.

32.2 Auditors' remuneration	2020	2019
	--- Rupees in '000 ---	
Statutory audit	900	625
Half yearly review	140	140
Certification charges	111	95
Consultancy services and others	195	195
Out-of-pocket expenses	15	15
	1,361	1,070

32.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.5.521 million (2019: Rs.7.169 million) with Saif Textile Mills Ltd. (a related party) on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

33. OTHER INCOME	Note	2020	2019
		--- Rupees in '000 ---	
Sale of scrap		904	728
Unclaimed payable balances written-back		136	26
Profit on Term Finance Certificates		284	-
Gain on sale of operating fixed assets	19.2	625	-
Amortisation of government grant	11	208	-
		2,157	754

34. OTHER EXPENSES	Note	2020	2019
Loss on sale of operating fixed assets	19.2	-	4,495
Workers' (profit) participation fund		-	4,312
Donations	34.1	3,600	4,100
		3,600	12,907

34.1 These include Rs.3.600 million (2019: Rs.1.800 million) Rs.Nil (2019: Rs.1.800 million) donated to Akbar Kare (a section 42 Company) and Saifullah Foundation for Sustainable Development (a social welfare society) respectively. Following directors of the Company are interested in these donations.

Akbar Kare

- Mr. Jehangir Saifullah Khan
- Ms. Hoor Yousafzai

Saifullah Foundation for Sustainable Development

- Mr. Jehangir Saifullah Khan
- Mr. Osman Saifullah Khan

35. FINANCE COST - Net	2020	2019
	--- Rupees in '000 ---	
Mark-up on sub-ordinated loan from the Holding Company	14,811	10,890
Mark-up / profit on long term financing	33,444	23,910
Mark-up / profit on short term borrowings	128,349	78,788
Mark-up / profit on finance leases	2,022	799
Interest on workers' (profit) participation fund	164	67
Bank and other charges	1,865	1,503
	180,655	115,957

36. TAXATION	Note	2020	2019
		--- Rupees in '000 ---	
Current tax - for the year	27	38,874	10,436
Deferred - origination and reversal of temporary differences	13	(50,527)	8,833
		<u>(11,653)</u>	<u>19,269</u>
37. (LOSS) / EARNINGS PER SHARE			
37.1 Basic (loss) / earnings per share			
(Loss) / profit after taxation attributable to ordinary shareholders		<u>(65,228)</u>	<u>66,965</u>
		--- No. of shares ---	
Weighted average number of shares outstanding during the year		<u>20,800,000</u>	<u>20,800,000</u>
		--- Rupees ---	
(Loss) / earnings per share		<u>(3.14)</u>	<u>3.22</u>
37.2 Diluted (loss) / earnings per share			

A diluted (loss) / earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019 which would have any effect on the (loss) / earnings per share if the option to convert is exercised.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial Risk Factors

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

- market risk
- credit risk; and
- liquidity risk.

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

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

38.1.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect 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 optimising the return. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in U.S. Dollar. The Company's exposure to foreign currency risk for U.S. Dollar is as follows:

	Rupees	U.S.\$
	--- in '000 ---	
As at June 30, 2020		
Net statement of financial position exposure - bills payable	224,948	1,333
As at June 30, 2019		
Net statement of financial position exposure - bills payable	278,138	1,691

The following significant exchange rates have been applied:

	<u>Average rate</u>		<u>Reporting date</u>	
	2020	2019	2020	2019
U.S. \$ to Rupee	159.29	138.68	168.75	164.50

Sensitivity analysis

At June 30, 2020, if Rupee had strengthened by 10% against U.S.\$ with all other variables held constant, loss after taxation for the year would have been lower (2019: profit after taxation for the year would have been higher) by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial liabilities.

	2020	2019
	--- Rupees in '000 ---	
U.S. \$ to Rupee	22,495	27,814

The weakening of Rupee against U.S. \$ would have had an equal but opposite impact on loss / profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on loss / profit for the year and liabilities of the Company.

(b) 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 change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2020	2019	2020	2019
	Effective rate		Carrying amount	
Financial liabilities	%	%	--- Rupees in '000 ---	
Variable rate instruments				
Loan from the Holding Company	12.48 to 15.87	7.77 to 13.07	100,000	100,000
Long term financing	3 to 14.90	7.51 to 12.20	497,299	271,863
Lease liabilities	12.36 to 15.94	8.65 to 12.30	12,592	13,224
Short term borrowings	7.22 to 13.90	7.49 to 14.06	649,517	699,557

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 or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs.12.613 million (2019: profit after taxation would have been Rs.10.846 million) higher / lower, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

38.1.2 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from long term deposits, trade debts, security deposits and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2020 along with comparative is tabulated below:

	2020	2019
	- - - Rupees in '000 - - -	
Long term deposits	1,816	1,137
Trade debts	610,367	307,669
Security deposits	3,663	5,990
Bank balances	12,997	7,136
	628,843	321,932

All the trade debts at the statement of financial position date represent domestic parties.

The aging of trade debts at the statement of financial position date was as follows:

Not yet due	506,903	295,454
Past due - more than 30 days	103,464	12,215
	610,367	307,669

To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for the Company various customer segments with similar loss patterns (i.e. by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

38.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
----- Rupees in '000 -----				
As at June 30, 2020				
Loan from the Holding Company	100,000	122,898	12,490	110,408
Long term financing	497,299	675,570	111,810	563,760
Lease liabilities	12,592	14,700	4,584	10,116
Trade and other payables	411,343	411,343	411,343	-
Accrued mark-up / profit	44,292	44,292	44,292	-
Short term borrowings	649,517	677,307	677,307	-
Unpaid dividends	166	166	166	-
Unclaimed dividends	963	963	963	-
	1,716,172	1,947,239	1,262,955	684,284
----- Rupees in '000 -----				
As at June 30, 2019				
Loan from the Holding Company	100,000	107,350	107,350	-
Long term financing	271,863	339,900	115,121	224,779
Lease liabilities	-	-	-	-
Trade and other payables	389,978	389,978	389,978	-
Accrued mark-up / profit	33,320	33,320	33,320	-
Short term borrowings	699,557	754,183	754,183	-
Unpaid dividends	77	77	77	-
Unclaimed dividends	3,687	3,687	3,687	-
	1,498,482	1,628,495	1,403,716	224,779

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

38.2 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At June 30, 2020, investment in debt instruments have been measured at fair value using year-end quoted price. Fair value of these investments falls within level 1 of fair value hierarchy as mentioned above.

Except for the above, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

38.3 Financial instruments by category

	2020			2019		
	Amortised cost	At fair value through OCI	Total	Loans and receivables	At fair value through OCI	Total
----- Rupees in '000 -----						
Financial assets as per statement of financial position						
Long term investment	-	2,450	2,450	-	2,500	2,500
Long term loans	1,527	-	1,527	1,459	-	1,459
Long term deposits	1,816	-	1,816	1,137	-	1,137
Trade debts	610,367	-	610,367	307,669	-	307,669
Loans and advances	2,444	-	2,444	2,320	-	2,320
Deposits, other receivables and prepayments	14,251	-	14,251	16,821	-	16,821
Bank balances	12,997	-	12,997	7,305	-	7,305
	643,402	2,450	645,852	336,711	2,500	339,211
Financial liabilities measured at amortised cost						
	2020		2019			
--- Rupees in '000 ---						
Financial liabilities as per statement of financial position						
Loan from the Holding Company			100,000			100,000
Long term financing			497,299			271,863
Lease liabilities			12,592			13,224
Long term deposits			2,280			1,877
Trade and other payables			411,343			389,978
Accrued mark-up / profit			44,292			33,320
Short term borrowings			649,517			699,557
Unpaid dividends			166			77
Unclaimed dividends			963			3,687
			1,718,452			1,513,583

39. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities				
	Long term financing	Lease liabilities	Short term borrowings	Accrued mark-up and interest	Dividend
 Rupees in '000				
Balance as at July 01, 2019	271,863	-	699,557	33,312	3,764
Changes from financing activities					
Finances obtained	292,849	-	-	-	-
Finances repaid	(61,873)	-	(50,040)	-	-
Transferred to deferred income	(5,540)	-	-	-	-
Finance leases obtained	-	-	-	-	-
Repayment of finance lease liabilities	-	(4,859)	-	-	-
Finance cost paid	-	-	-	(168,201)	-
Dividends paid	-	-	-	-	(23,435)
Dividend declared	-	-	-	-	20,800
Total changes from financing cash flows	497,299	(4,859)	649,517	(134,889)	1,129
Other changes					
Mark-up / Interest expense	-	-	-	178,790	-
Balance as at June 30, 2020	497,299	(4,859)	649,517	43,901	1,129
 Rupees in '000				
Balance as at July 01, 2018	261,361	4,223	688,336	15,338	3,734
Changes from financing activities					
Finances obtained	66,655	-	11,221	-	-
Finances repaid	(56,153)	-	-	-	-
Finance leases obtained	-	10,330	-	-	-
Repayment of finance lease liabilities	-	(1,329)	-	-	-
Finance cost paid	-	-	-	(96,472)	-
Dividends paid	-	-	-	-	(15,570)
Dividend declared	-	-	-	-	15,600
Total changes from financing cash flows	271,863	13,224	699,557	(81,134)	3,764
Other changes					
Mark-up / Interest expense	-	-	-	114,454	-
Balance as at June 30, 2019	271,863	13,224	699,557	33,320	3,764

40. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2,020	2,019
	- - - Rupees in '000 - - -	
Total borrowings	1,259,408	1,084,644
Less: cash and bank balances	12,997	7,305
Net debt	1,246,411	1,077,339
Total equity	1,651,295	1,707,895
Total capital	2,897,706	2,785,234
Gearing ratio	43%	39%

41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Holding Company, Associated Companies, Directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

41.1 Name and nature of relationship**Holding and Associated Companies**

Saif Holdings Ltd. (Holding Company as 77.98% shares held in the Company)

Saif Textile Mills Ltd. (an Associated Company due to common directorship)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, Directors and all team members of its management team to be its key management personnel.

	2020	2019
	- - - Rupees in '000 - - -	
41.2 Significant transactions with the related parties		
i) The Holding Company		
- dividend paid	16,220	12,165
- mark-up paid on loan	14,923	9,464
ii) An Associated Company		
Sales of:		
- goods, store items and services	-	1,973
- fixed assets	-	1,441
iii) Key management personnel		
Salary and other employment benefits	12,395	10,362

42. REMUNERATION OF CHIEF EXECUTIVE, AND EXECUTIVES

	Chief Executive		Executives	
	2020	2019	2020	2019
	----- Rupees in '000 -----			
Managerial remuneration	11,927	9,120	24,554	21,398
Medical expenses reimbursed	-	-	317	295
	11,927	9,120	24,871	21,693
Number of persons	1	1	7	6

42.1 In addition to the above, meeting fees amounting Rs.360 thousand (2019: Rs 150 thousand) were paid to eight (2019: seven) directors during the current financial year.

42.2 The Chief Executive and some of the executives are also provided with Company's maintained cars in accordance with their terms of employment.

43. CAPACITY AND PRODUCTION

	2020	2019
No. of spindles installed (in '000)	35	35
No. of spindles shifts worked (in '000)	34,607	37,771
No. of days worked	363	365
No. of shift worked	1,089	1,095
Average count	32.94	32.90
Actual production (in '000)	Kg 7,124	7,696

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

44. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

44.1 Yarn sales represent 99.47%% (2019: 99.46%) of the total sales of the Company.

44.2 Whole of the Company's sales relate to customers in Pakistan.

44.3 All non-current assets of the Company as at June 30, 2020 are located in Pakistan.

44.4 None of the Company's customers sales exceeded 10% of total sales of the Company. (2019: one of the Company's customers sale of Rs. 262 million exceeded 10% of total sales of the Company).

45. NUMBER OF EMPLOYEES

	2020	2019
Total number of employees as at June 30,	1,014	1,085
Average number of employees during the year	1,070	1,068

46. IMPACT OF COVID-19 (CORONA VIRUS)

The outbreak of Novel Coronavirus continues and the situation keeps evolving every day. Enactment of necessary precautionary measures during March, 2020 including but not limited to lockdowns by Government of Pakistan, severely impacted the economic activity and the consumer demand which had a ripple effect on the economy. The operations of the Company were resumed after the management adopted all necessary precautionary measures and ensured the implementation of all necessary SOPs.

After the lockdown restrictions were eased out in June, 2020 local customer demand has increased gradually. The international market has also started resuming business and an increase in the number of orders has been observed. As the extent and duration of the impact of COVID-19 can not be predicted at this stage, a reliable estimate of the impact of the developments on the financial statements of the Company can not be made with reasonable certainty. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

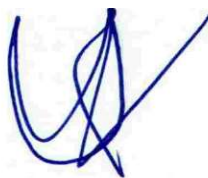
- expected credit losses under IFRS 9, 'Financial instruments';
- the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- salary refinance scheme under IAS 20, 'Government Grants'
- deferred taxation in accordance with IAS 12, 'Income taxes'
- provisions and contingent liabilities under IAS 37 ; and
- going concern assumption used for the preparation of these financial statements.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However no material re-arrangements and re-classifications have been made in these financial statements.

48. GENERAL

These financial statements were authorised for issue on October 07, 2020 by the Board of Directors of the Company.

**Chief Executive Officer****Director****Chief Financial Officer**