

Annual Report 2020



ZAHIDJEE



ZAHIDJEE TEXTILE MILLS LIMITED

Mission, Vision, Values

- ▶ To add value to shareholders and the economy by engaging profitably in textile products.
- ▶ To be and remain quality leader and competitive in the international market.
- ▶ To conduct business as a socially responsible corporate citizen.

**Zahidjee Textile Mills Limited
Company Information**

Board of Directors

Mr. Muhammad Sharif
Chairman

Mr. Muhammad Zahid
Chief Executive

Mr. Ahmad Zahid
Miss Mehreen Zahid
Mr. Sajjad Hussain Shah
Mr. Faisal Masood Afzal
Brig (R) Wali Muhammad

Audit Committee

Mr. Faisal Masood Afzal
(Chairman)
Mr. Sajjad Hussain Shah
Miss Mehreen Zahid

Company Secretary

Mr. Naveed Ashraf

Chief Financial Officer

Mr. Anwar-ul-Haq

Share Registrar

CorpTec Associates (Private) Limited
503-E, Johar Town, Lahore
Tel: 042-35170335, Fax 042-35170338
E-mail: info@corptec.com.pk

Registered Office

2-H, Gulberg II, Jail Road, Lahore
Tel: 042-35777291-5

Bankers of the Company

Allied Bank Limited
Askari Commercial Bank Limited
Bank Al-Falah Limited
Bank Islami Pakistan Limited
Faysal Bank Limited
JS Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
The Bank of Punjab
United Bank Limited

Auditors

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

HR & Remuneration Committee

Brig (R) Wali Muhammad
(Chairman)
Miss Mehreen Zahid
Mr. Muhammad Sharif
Mr. Muhammad Zahid

Export Office

20, Bilal Road, Civil Lines,
Faisalabad
Tel: + 92-41-2409223-24

Mills

- 28-KM, Sheikhpura Road,
Faisalabad
- 32-KM, Tandlianwala Road,
Faisalabad
- M-3, Industrial City,
Sahianwala, Faisalabad

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 31th Annual General Meeting (AGM) of the shareholders of ZAHIDJEE TEXTILE MILLS LIMITED ("the Company") will be held at 10:00 A.M on Tuesday, the 27th October 2020 at registered office 2H, Gulberg II, Jail Road, Lahore to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last meeting of shareholders.
2. To consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2020 together with the Directors and Auditors reports thereon.
3. To appoint auditors for the year ending June 30, 2021 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of Board

Lahore
Dated: October 06, 2020

NAVEED ASHRAF
Company Secretary

NOTES:

- i. The share transfer books of the Company shall remain closed from October 21, 2020 to October 27, 2020 (both days inclusive). Transfers received in order at Company's registrar, M/S CorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore up to close of business on October 20, 2020 will be considered in time.
- ii. Members are requested to attend in person along with Computerized National Identity Card or appoint a proxy and send their proxy forms duly witnessed so as to reach the Registered Office of the company not later than 48 hours before the time of holding the meeting.
- iii. In pursuance of SECP Circulars regarding Regulatory Relief to dilute impact of (COVID 19). The entitled shareholders interested in attending the Annual General Meeting (AGM) through video link facility "Zoom" are requested to get themselves registered with the Company Secretary at least two working days before the holding of the time of AGM at email tax@zahidjee.com.pk
All possible safety measures shall be taken in respect of COVID-19 and relevant SOPs shall be strictly followed.
- iv. Any change of address of members should be immediately notified to the company's share registrars, M/SCorpTec Associates (Private) Limited, 503-E, Johar Town, Lahore.
- v. Members are required to convey their consent and e-mail Address for receiving Audited Financial Statements and Notice through e-mail.
- vi. The CDC account holders are requested to bring with them their Participant ID Number and CDC Account/ Sub Account Number and original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- vii. In compliance with regulatory directives issued from time to time, members who have not yet submitted copy of their valid CNIC are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
- viii. Members can also avail video conference facility. In this regard fill the application as per following format and submit to the registered address of the company (7) days before the date of Annual General Meeting. Only If the company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least (7) days prior to the date of meeting. The company will arrange video conference facility in city subject to availability of such facility in that city.

I / We _____ of _____ being member of Zahidjee Textile Mills Ltd, holder of _____ Ordinary shares as per Register Folio # / CDC Account # / Participant Id # hereby opt for Video conference facility at _____
- ix. The Annual Report for the Financial Year ended June 30, 2020 has been placed on Company's website <https://www.zahidjee.com.pk> in due course of time.

زاہدجی ٹیکسٹائل ملز لمیٹڈ (اطلاع سالانہ اجلاس عام)

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ زاہدجی ٹیکسٹائل ملز لمیٹڈ (دی کمپنی) کا 31 واں سالانہ اجلاس عام درج ذیل اُمور کی انجام دہی کے لئے بروز منگل مورخہ 127 اکتوبر 2020 کو صبح 10:00 بجے کمپنی کے ہیڈ آفس واقع H-2 جیل روڈ گلبرگ III لاہور میں منعقد ہوگا۔

عمومی اُمور:

- (1) کمپنی کے حصص یافتگان کے گذشتہ اجلاس کی کارروائی کی توثیق۔
- (2) مورخہ 30 جون، 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈٹ شدہ مالی گوشواروں بعد از ریویژن اور آڈیٹرز کی رپورٹ کی وصولی، ان پر غور و خوض اور منظوری۔
- (3) 30 جون، 2021 کو ختم ہونے والے سال کے لیے آڈیٹرز کی تقرری اور ان کے مشاہروں کا تعین۔
- (4) چیئرمین صاحب کی اجازت سے کسی دیگر اُمور کی انجام دہی۔

حسب الحکم بورڈ نوید اشرف کمپنی سیکرٹری

لاہور: مورخہ 6 اکتوبر 2020ء

نوٹ:-

- (i) کمپنی کے حصص کی منتقلی کی کتب مورخہ 21 اکتوبر 2020ء سے مورخہ 27 اکتوبر 2020ء (بشمول ہر دو ایام) بند رہیں گی۔ انتقال حصص کے لئے کمپنی رجسٹرار میسرز کارپٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، E-503 جو ہر ٹاؤن لاہور مورخہ 20 اکتوبر 2020ء کو کاروباری اوقات ختم ہونے تک وصول کریں گے۔
- (ii) ممبران سے گزارش ہے کہ اجلاس عام ذاتی حیثیت میں شرکت کے لئے اپنے اصل کمپیوٹرائزڈ شناختی کارڈ ہمراہ لائیں اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پراکسی بنا سکتا ہے۔ پراکسی کی تقرری کی دستاویزات کمپنی کے رجسٹرار آفس پاور آف اٹارنی کی کاپی اور ضروری دستخطوں کے ہمراہ اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل پہنچ جانی چاہیے۔
- (iii) ایس۔ ای۔ سی۔ پی کے کوویڈ 19 کے ریلیف کے بارے میں سرکلرز کی پیروی میں جو خواہشمند مستحق حصص دار کوویڈ یونٹ زوم کے ذریعے سالانہ جنرل میٹنگ میں شرکت کرنا چاہتے ہیں ان سے درخواست ہے کہ اس ای میل ایڈرس (tax@zahidjee.com.pk) پر کمپنی سیکرٹری کے ساتھ اپنا اندراج کروائیں۔ کوویڈ 19 کے حفاظتی اقدامات کے سلسلے میں ایس۔ او۔ پیز پر سختی سے عمل کیا جائے گا۔
- (iv) ممبران کے پتے میں کسی بھی تبدیلی کو فوری طور پر کمپنی کے شیئر رجسٹرار میسرز کارپٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، E-503 جو ہر ٹاؤن لاہور کو مطلع کیا جائے۔
- (v) ممبران سے ان کے موجودہ ای میل ایڈریس اور رضامندی درکار ہیں تاکہ ان کو مالیاتی بیانات اور دیگر نوٹس بذریعہ ای میل کئے جاسکیں۔
- (vi) سینٹرل ڈیپازٹری سسٹم کے اکاؤنٹ ہولڈرز اجلاس عام میں شرکت کے لئے آئی ڈی نمبر، سی ڈی۔ سی اکاؤنٹ، سب اکاؤنٹ اور اصل شناختی کارڈ یا پاسپورٹ ہمراہ لائیں۔
- (vii) قانونی ہدایات کی پیروی میں جن ممبران نے اپنے کارآمد شناختی کارڈ کی کاپی جمع نہیں کروائی ان سے درخواست ہے کہ وہ اسے کمپنی رجسٹرار کو ممبر فولیو نمبر کے ساتھ جمع کروائیں۔
- (viii) کمپنی کے ممبران جن کے پاس مجموعی طور پر 10% یا اس سے زیادہ شیئرز ہوں اگر کسی کی جغرافیائی حدود (کسی خاص جگہ / شہر) میں موجود ہوں اور وہ سالانہ اجلاس میں شرکت کرنا چاہتے ہیں تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرنے کا انتظام کرے گی بشرطیکہ اس شہر میں سہولت میسر ہوں اگر آپ مٹینگ میں ویڈیو کانفرنس کے ذریعے شرکت کرنا چاہتے ہیں تو 7 دن قبل ذیل میں دیا گیا فارم پر کر کے کمپنی کے رجسٹرار دفتر میں جمع کروائیں

میں / ہم _____ آف زاہدجی ٹیکسٹائل ملز لمیٹڈ کے ممبر جس کے شیئرز _____ رجسٹرار فولیو نمبر، سی ڈی سی اکاؤنٹ

نمبر _____ ویڈیو کانفرنس کی سہولت _____ میں چاہتا ہوں / چاہتے ہیں۔

(ix) 30 جون 2020 کو ختم ہونے والے مالی سال کی سالانہ رپورٹ کمپنی کی ویب سائٹ www.zahidjee.com.pk پر وقت کے ساتھ رکھ دی گئی ہیں۔

Review Report by the Chairman

The Board of Directors is performing their duties in accordance with law and in the best interest of company and its shareholders. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Zahidjee Textile Mills Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

Zahidjee Textile Mills Limited Complies with all the requirements set out in the Law with respect to the composition, procedures and meetings of the Board of Directors and its committees. Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the board and its committee meetings. The Board has exercised all its powers in accordance with relevant laws and regulation and the non- executive and independent directors are equally involved in important decisions of the board.

Lahore:
Dated: October 06, 2020

Muhammad Sharif
Chairman

چیرمین کی طرف سے رپورٹ کا جائزہ

بورڈ آف ڈائریکٹرز اپنے فرائض قانون کے مطابق اور کمپنی اور اس کے حصص داروں کے بہترین مفاد میں سرانجام دے رہے ہیں۔ کوڈ آف کارپوریٹ گورننس کی ضروریات کے مطابق، زاہد جی ٹیکسٹائل ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی گئی ہے۔ تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور اثرات کی پیمائش کی گئی ہے اور کمپنی کے لئے قائم مقاصد کے تناظر میں توقعات سے اوپر بیچ مارک ہیں۔

30 جون 2020 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور اثرات کو اطمینان بخش قرار دیا گیا ہے۔ یہ نقطہ نظر، مشن اور اقدار؛ اسٹریٹجک منصوبہ بندی میں مصروفیت؛ پالیسیوں کی تشکیل؛ تنظیم کی کاروباری سرگرمیوں کی نگرانی؛ مالی مسائل مینجمنٹ کی نگرانی؛ موثر مالی نگرانی؛ بورڈ کے کاروبار کو پورا کرنے کی صلاحیت اور تمام ملازمین سے منصفانہ سلوک سمیت لازمی اجزاء کی تشخیص پر مبنی ہے۔

زاہد جی ٹیکسٹائل ملز لمیٹڈ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی ترتیب، طریقوں اور اجلاسوں کے احترام کے ساتھ قانون میں قائم تمام ضروریات پر عمل کرتی ہے۔ ضروری بورڈ ایجنڈا اور متعلقہ معاون دستاویزات بورڈ اس کمیٹی کے اجلاسوں سے مناسب وقت پہلے بورڈ کو فراہم کی گئی ہیں۔ بورڈ نے متعلقہ قوانین اور ریگولیشن کے مطابق اپنے تمام اختیارات کو استعمال کیا ہے اور بورڈ کے اہم فیصلوں میں نان ایگزیکٹو اور آزاد ڈائریکٹرز کو مساوی شامل کیا گیا ہے۔

محمد شریف

چیرمین

مورخہ: 06 اکتوبر، 2020ء

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company are pleased to present their Report along with the Audited Financial Statements for the year ended June 30, 2020.

The Board of Directors

The Board of Directors of the Company as at the Balance Sheet date is as follows:

1	Mr. Muhammad Sharif- Chairman	Non-executive Director
2	Mr. Muhammad Zahid- Chief Executive	Executive Director
3	Mr. Ahmad Zahid	Executive Director
4	Miss Mehreen Zahid	Non-executive Director
5	Brig. (R) Wali Muhammad	Independent Director
6	Mr. Sajjad Hussain Shah	Independent Director
7	Mr. Faisal Masood Afzal	Independent Director

Principal Activities of the Company

The Company is engaged in the business of manufacturing and sale of yarn and export of all kinds of value added fabrics and textile made-ups.

Overview

Following the breakout of the Covid-19 pandemic, the company accelerated its business momentum while overcoming the challenges posed by the COVID-19 pandemic which had an adverse impact on the economic growth the world over, including Pakistan. ,

Despite many operational challenges faced during the year 2019-2020, your company has been able to deliver successful performance with achievement of challenging objectives for growth and profit. This was primarily driven by the Company's improved product range, market penetration, cost management and productivity improvement.

Financial Performance

	2020 Rupees	2019 Rupees
Profit before taxation	993,637,143	744,403,700
Provision for taxation	296,218,715	(37,255,097)
Profit for the year	<u>697,418,428</u>	<u>781,658,797</u>
Earnings per share – Basic and diluted	<u>3.64</u>	<u>4.08</u>

The Company remains committed and strongly believes that it is now on a path of sustainable growth and maximizing value creation. These objectives are being achieved by focusing resources to develop operational efficiency and strengthening business foundations. As a result of these efforts, the Company registered net sales of Rs. 13.902 billion during the year ,showing 3.4 % growth over the previous year. This improvement in sales together with strong contributions from cost efficiencies, better product mix and other operational efficiencies translated in improving margins for the year. As a result, the Company registered its highest net profit before tax of Rs. 993.637 million. Net profit after tax of Rs. 697.418 million. The net profit translated into Earnings per Share (EPS) of Rs. 3.64 as against Rs. 4.08 of last year.

Profit and Appropriation

The financial results for the year under review are as follows:

	2020 Rupees	2019 Rupees
Profit after tax	697,418,428	781,658,797
Add: Other Comprehensive income	89,220,106	121,683,230
	<u>786,638,534</u>	<u>903,342,027</u>
Un-appropriated profit b/f	2,105,446,506	1,269,101,864
Profit available for appropriation	<u>2,892,085,040</u>	<u>2,172,443,891</u>

Appropriation:

Final Dividend for the year 2018-19:

Cash Dividend of Rs. 0.85 per share (162,707,933)

Final Dividend for the year 2017-18:

Cash Dividend of Rs. 0.35 per share - (66,997,385)

Un-appropriated profit c/f 2,729,377,107 2,105,446,506

Dividend

The Board of Directors of the Company has not proposed dividend for the year ended June 30, 2020 (June 30, 2019: 8.5%) due to uncertain Post Covid situation.

Credit Rating of Company

Your Company is a rated company. PACRA has issued rating for Zahidjee Textile Mills Limited for:

Long-Term	(A-)
Short Term	(A2)
Outlook	(Positive)

Board meetings

Following is the status of the attendance at meetings of the Board of Directors

Sr#	Name of Directors	No. of meeting attended/ held
1	Mr. Muhammad Sharif	4/4
2	Mr. Muhammad Zahid	4/4
3	Mr. Ahmad Zahid	4/4
4	Miss Mehreen Zahid	3/4
5	Mr. Sajjad Hussain Shah	4/4
6	Mr. Faisal Masood Afzal	4/4
7	Brig. (R) Wali Muhammad	3/4

Audit committee

During the year the Audit Committee met 4 times and attendance of the Directors was as follows:

Sr#	Name of Directors	No. of meeting attended/ held
1	Mr. Faisal Masood Afzal	Chairman 4/4
2	Mr. Sajjad Hussain Shah	Member 4/4
3	Miss Mehreen Zahid	Member 3/4

HR & Remuneration Committee

During the year the Human Resource and Remuneration Committee met once and attendance of the Directors was as follows:

Sr#	Name of Directors	No. of meeting attended/ held
1	Brig. (R) Wali Muhammad	Chairman 1/1
2	Miss Mehreen Zahid	Member 1/1
3	Mr. Muhammad Sharif	Member 1/1
4	Mr. Muhammad Zahid	Member 1/1

Subsidiary Company

Zahidjee Towers (Private) Limited is a wholly owned subsidiary of the Company. There is no change in the nature of the relationship with the subsidiary during FY20. The Company has also annexed consolidated financial statements along with stand-alone financial statements in accordance with the requirements of International Financial Reporting Standards and the Companies Act, 2017.

Code of Corporate Governance

The Directors of the Company are pleased to confirm that the company has made compliance of the provisions set out by the Securities and Exchange Commission of Pakistan through the listing regulations of the Pakistan Stock Exchange as prescribed in the Code of Corporate Governance and there is no material departure from the best practices as detailed in the listing regulations:

- 1 The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- 2 Proper books of accounts of the company have been maintained.
- 3 Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4 International Accounting/Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of financial statements and there is no departure there from.
- 5 The system of internal control is sound and has been effectively implemented and monitored.
- 6 There is no significant doubt upon the company's ability to continue as a going concern.
- 7 There has been no material departure from the best practices of Code of Corporate Governance, as detailed in Listing Regulations.
- 8 Statement of compliance with Code of Corporate Governance and Financial Highlights for the last six years are annexed.

Safety and Environment

The company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly policies.

During the COVID-19 outbreak, the company showed full responsibility to prevent the spread of COVID-19 among its employees. We developed and implemented a set of protocols based on Punjab Government SOPs. The protocols implemented were the provision of surgical safety masks, hand sanitizer dispensers, enforcing of social distancing in operational activities, disinfecting of vehicles and creating awareness among employees, contractors and visitors through signage and training.

Corporate Social Responsibility

Your company understands its corporate responsibility towards the society and fulfils its obligations by providing support to under privileged members of the society. Special persons are regularly employed in the company.

Your company is providing healthy, safe and learning work environment to its employees and sends them to attend training courses, seminars, workshops and conferences.

The company has installed an environment friendly gas based power plant with a view to reduce power cost and pollution.

Web Reference

In compliance with SRO 634 (1)/2014 dated July 10, 2014, the Company is maintaining a functional website. Annual, half yearly and quarterly reports and other notices are regularly posted at the Company's website address (<http://www.zahidjee.com.pk>).

Related Parties

Transactions between related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on transfer pricing as contained in the Listing Regulations of Pakistan Stock Exchange.

Human Resources Management

Our commitment to excellence plays a significant role in our ability to be successful. This commitment enables us to continue investing behind talent development of our people across all functional departments. They are provided with a learning environment that encourages and fosters new ideas, initiatives and teamwork.

Pattern of share holding

The pattern of shareholding as on June 30, 2020 is annexed.

Auditors

The external Auditors, M/s RSM Avais Hyder Liaquat Nauman, Chartered Accountants, retire and offer themselves for their reappointment. The Audit Committee has recommended the reappointment of M/S RSM Avais Hyder Liaquat Nauman, Chartered Accountants, as external auditors for the year 2020-2021.

Future Outlook

The textile sector started the year 2020 on a positive note as the tough economic measures taken by the government since the commencement of its tenure in 2018, started bearing fruit. However, the country was hit by the Covid-19 pandemic in March which led to the deterioration of the macroeconomic variables in the second half. The challenge for the government remains to increase its exports as the international market recovers from the effects of the lockdown. Despite of complex market environment , the Company is working to response to the rapidly changing dynamics of the market. Looking ahead, the Company aims to improve its manufacturing capabilities, We trust that the Government will work to provide stability to the business environment and create a stimulus to improve the growth rate, whilst combating inflation and currency pressure through constructive economic policies. If the conditions continue showing improvement, we are expecting very encouraging growth in our Sales, Gross Profit and Net Profit numbers. However, uncertainty regarding the possible second wave of the Coronavirus and pace of revival in external demand for Pakistani products is a key risk.

Acknowledgments

The Directors of your Company would like to place on record their deep appreciation for the support of the customers, banks, financial institutions, regulators and shareholders during the year and hope that this cooperation and support will also continue in the future.

The Directors of your Company would also like to express their appreciation for the services, devotion, loyalty and efforts being continuously rendered by the executives, staff members and workers of the Company and hope that they will continue with these efforts in future also.

For and on behalf of the Board

Dated: October 06, 2020
Lahore

MUHAMMAD SHARIF
Chairman

MUHAMMAD ZAHID
Chief Executive Officer

ممبران کیلئے ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کے آڈٹ شدہ مالی گوشوارے مع اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں

بورڈ آف ڈائریکٹرز:

ختم شدہ سال پر کمپنی کے ڈائریکٹرز مندرجہ ذیل ہیں۔

نمبر شمار	نام ڈائریکٹر	کمپنی کے ممبران
1-	جناب محمد شریف	غیر افسر ڈائریکٹر
2-	جناب محمد زاہد	چیف افسر ڈائریکٹر
3-	جناب احمد زاہد	افسر ڈائریکٹر
4-	مس مہرین زاہد	غیر افسر ڈائریکٹر
5-	برگینڈیر (ریٹائرڈ) ولی محمد	آزاد ڈائریکٹر
6-	جناب سجاد حسین شاہ	آزاد ڈائریکٹر
7-	جناب فیصل مسعود افضل	آزاد ڈائریکٹر

کمپنی کی پرنسپل سرگرمیاں:

یہ کمپنی ٹیکسٹائل سوتڑکی تیار، فروخت، فیئر کس اور ٹیکسٹائل میڈاپ کی ایکسپورٹ کے کاروبار میں مصروف عمل ہے۔

چانزہ

Covid-19 وبائی مرض کے پھلاؤ کے بعد کمپنی نے اپنے کاروبار کی رفتار کو برقرار رکھنے کی کوشش کرتے ہوئے درپیش مسائل پر قابو پانے کی کوشش کی ہے جس نے پاکستان سمیت دنیا بھر کی معاشی نمو پر منفی اثر ڈالا ہے۔

مالیاتی سال 2019-20 کے دوران بہت سارے آپریشنل چیلنجوں کا سامنا کرنے کے باوجود، آپ کی کمپنی نے ترقی، منافع اور نمو کے مشکل اہداف حاصل کئے۔ اس کامیابی کی بنیادی وجوہات میں کمپنی کی مصنوعات میں جدت، مارکیٹ میں بہتر داخلہ، لاگت کا بہتر انتظام اور تسلسل کے ساتھ پیداوری گنجائش میں اضافہ شامل ہے۔

مالی کارکردگی

2020	2019	
روپے	روپے	
933,637,143	744,403,700	قبل از ٹیکس منافع
296,218,715	(37,255,097)	ٹیکس کیلئے مختص
<u>697,418,428</u>	<u>781,658,797</u>	سالانہ منافع
<u>3.64</u>	<u>4.08</u>	فی حصص آمدن (بنیادی اور ڈائی لیوٹڈ)

کمپنی پائیدار نمو کے راستے کے لئے پرعزم ہے اور اسے مکمل یقین ہے کہ وہ اسی راستے پر گامزن ہے اور اس مقصد کے لئے مصنوعات میں بہتری کے لئے کوشاں ہے۔ یہ مقاصد وسائل پر توجہ مرکوز کرتے ہوئے کاروباری استعداد میں ترقی، لاگتوں کے ڈھانچے میں بہتری، ترقی پر ڈیجیٹل ٹیکنالوجی کے نفاذ اور کاروباری فاؤنڈیشن کو مضبوط کرنے کی وجہ سے حاصل ہوئے۔ ان کوششوں کے نتیجے میں کمپنی کی خالص فروخت سال کے دوران 13.902 بلین روپے رہی جو کہ گزشتہ سال کی نسبت 3.4 فیصد اضافہ کی عکاسی کرتی ہے۔ فروخت میں بہتری کے ساتھ لاگتوں میں مستعدگی، مصنوعات کا بہتر مرکب اور دیگر کاروباری استعداد کی وجہ سے سال کے دوران فروخت اور منافع میں اضافہ ہوا۔ جس کے نتیجے میں کمپنی کا قبل از ٹیکس خالص منافع 993.637 بلین روپے کی بلند ترین سطح تک پہنچ گیا۔ خالص منافع بعد از ٹیکس 697.418 روپے رہا۔ اس کی وجہ سے فی حصص آمدن (EPS) 3.64 روپے ہے جو کہ پچھلے سال اسی مدت کی 4.08 روپے ہے۔

منافع اور تخصیص

2020	2019	
روپے	روپے	
697,418,428	781,658,797	خالص منافع بعد ٹیکس
<u>89,220,106</u>	<u>121,683,230</u>	اضافی آمدنی کی تفصیل
786,638,534	903,342,027	
<u>2,105,446,506</u>	<u>1,269,101,864</u>	آگے لایا گیا غیر تخصیص شدہ منافع
2,892,085,040	2,172,443,891	تخصیص کے لئے موجود منافع
<u>(162,707,933)</u>		مالی سال 2018-2019 کے لیے نقد منافع 0.85 روپے فی حصص
	<u>(66,997,385)</u>	مالی سال 2017-2018 کے لیے نقد منافع 0.35 روپے فی حصص
<u>2,729,377,107</u>	<u>2,105,446,506</u>	غیر تخصیص شدہ منافع آگے بھیجا۔

منافع کا تصرف

Covid-19 کی غیر یقینی صورت حال کی وجہ سے کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کے لیے کوئی منافع منقسمہ تجویز نہیں کیا ہے

کمپنی کی کریڈٹ ریٹینگ

آپ کی کمپنی ایک درجہ بند کمپنی ہے پیکرہ نے زاہد جی ٹیکسٹائل ملز لمیٹڈ کے لیے درجہ بندی کی ہے

A- طویل مدت

A2 شارٹ مدت

Positive اوٹ لک

بورڈ کا اجلاس:

رواں سال 4 بار بورڈ کا اجلاس ہوا ہر ایک ڈائریکٹرز کی حاضری درج ذیل ہے۔

نمبر شمار	نام ڈائریکٹر	اجلاس میں شریک ہونے کی تعداد
-1	جناب محمد شریف (چیئر مین)	4
-2	جناب محمد زاہد	4
-3	جناب احمد زاہد	4
-4	مس مہرین زاہد	3
-5	جناب سجاد حسین شاہ	4
-6	جناب فیصل مسعود افضل	4
-7	برگڈنیئر (ریٹائرڈ) دلی محمد	3

آڈٹ کمیٹی:

رواں سال میں 4 بار آڈٹ کمیٹی کا اجلاس ہوا ہر ایک ڈائریکٹرز کی حاضری درج ذیل ہے۔

نمبر شمار	نام ڈائریکٹر	اجلاس میں شریک ہونے کی تعداد
-1	جناب فیصل مسعود افضل (چیئر مین)	4
-2	جناب سجاد حسین شاہ	4
-3	مس مہرین زاہد	3

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی:

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے HR&R کمیٹی قائم کی۔ رواں سال میں ایک بار اجلاس ہوا ہر ایک ڈائریکٹرز کی حاضری درج ذیل ہے۔

نمبر شمار	نام ڈائریکٹر	اجلاس میں شریک ہونے کی تعداد
-1	برگڈنیئر (ریٹائرڈ) دلی محمد (چیئر مین)	1
-2	مس مہرین زاہد	1
-3	جناب محمد شریف	1
-4	جناب محمد زاہد	1

ذیلی کمپنی

زاہلجی ٹاؤر پرائیویٹ لمیٹڈ اس کمپنی کی مکمل ملکیتی ذیلی کمپنی ہے مالی سال 2020 کے دوران ماتحت ادارہ کے ساتھ تعلقات کی نوعیت میں کوئی تبدیلی نہیں ہے کمپنی نے بین الاقوامی مالیاتی رپورٹنگ کے سٹینڈرڈز اوپینیز ایکٹ، 2017 ضروریات کے مطابق الگ مالیاتی گوشواروں کے ساتھ مجموعی مالیاتی گوشوارے منسلک کیے ہیں۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک:

مندرجہ ذیل معاملات کے لئے ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس سیوریٹی اینڈ ایکنیجنگ کمیشن آف پاکستان کے کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک کے ساتھ تعمیل کی تصدیق کی ہے۔

- کمپنی کی انتظامیہ کی جانب سے تیاری جانے والی مالیاتی سٹیٹمنٹ شفافیت کے ساتھ اسٹیٹ آف افیئرز آپریشنز کے نتائج، کیش کا بہاؤ اور ایکویٹی میں تبدیلیوں کو پیش کرتی ہے۔

- کمپنی اکاؤنٹ کی کتب باقاعدہ برقرار رکھتی ہے۔

- مالیاتی سٹیٹمنٹ کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور اکاؤنٹنگ اسٹیٹمنٹس معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔

- پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز پر مالیاتی اسٹیٹمنٹس کی تیاری میں عمل درآمد کیا جاتا ہے۔

- اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا ہے۔ موخر انداز میں لاگو کیا گیا ہے۔ اور ساتھ ساتھ باقاعدہ اسکی نگرانی بھی کی جاتی ہے۔

- کمپنی کے جاری رہنے کی صلاحیت پر کوئی واضح شکوک نہیں ہیں۔

- لسٹنگ ریگولیشنز میں دی گئی تفصیل کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی میٹریل ڈیپارچر نہیں کیا گیا۔

- کارپوریٹ گورننس پر عمل درآمد کی رپورٹ دی گئی ہے۔ اور پچھلے چھ سال کے خاص اعداد و شمار بھی دئے گئے ہیں۔

ماحول اور تحفظات:

کمپنی ماحول اور تحفظات کے لئے بنائے گئے اصولوں پر سختی سے عمل درآمد کرتی ہے اور یہ ماحول دوست پالیسیوں کا احترام بھی کرتی ہے۔

Covid-19 کی وباء کے دوران کمپنی نے اپنی مکمل ذمہ داریاں کا مکمل مظاہرہ کیا تاکہ Covid-19 کی وبا ملازمین کے درمیان نہ پھیل سکے، ہم نے پنجاب

حکومت کے اصولوں پر پروٹوکول تیار کیا اور اس پر عمل درآمد کیا اس پروٹوکول میں سرجیکل ماسک، ہینڈ سینیٹائزر اور سماجی فاصلے کا خاص خیال رکھا، گاڑیوں کی

جراثیم کشی اور ملازمین، ٹھیکیداروں اور ملاقاتی افراد کو اشارے اور تربیت کے ذریعے آگاہی پیدا کی ہے

ادارہ جاتی سماجی ذمہ داری:

آپ کی کمپنی سماجی ذمہ داری کو خوب سمجھتی ہے اور اپنی ذمہ داری کو سوسائٹی کے محروم طبقوں کی مدد کے پورا کرتی ہے۔ خصوصی افراد کو کمپنی میں ملازم رکھا جاتا

ہے۔ ملازمین کو صحت مندانہ ماحول فراہم کیا جاتا ہے۔ انھیں ٹریننگ کورسز، سیمینار، ورکشاپ، کانفرنس میں بھی بھیجا جاتا ہے۔

کمپنی نے بجلی کی لاگت اور آلودگی کو کم کرنے کے مقصد سے ماحول دوست گیس پمپنی پاور پلانٹ لگایا ہے

ویب ریفرنس:

SRO 634(1)2014 کے تحت کمپنی کی فنکشنل ویب سائٹ www.zahidjee.com ہے۔ جس پر سرمایہ، ششماہی اور سالانہ اکاؤنٹس اپ لوڈ کیے

جاتے ہیں۔

متعلقہ پارٹیوں سے لین دین

تعلق افراد سے معاملات شفافیت سے کیے جاتے ہیں قیمتوں کا تعین آزادانہ مقابلہ کے طریقہ سے کیا جاتا ہے

ہیومن ریسورس مینجمنٹ:

ہماری کامیابی میں مصمم ارادے کا بڑا عمل دخل ہے۔ شاندار انسانی وسائل کے حصول کے لئے خرچ کرنا ہماری پالیسی ہے۔ انسانی وسائل کے لئے مسلسل سیکھنے کا ماحول مہیا کیا جاتا ہے تاکہ نئے خیالات سے استفادہ کیا جاسکے۔

شیر ہولڈنگ کا نمونہ:

30 جون 2020ء کو شیرز کی پوزیشن کا جدول رپورٹ میں شامل ہے۔

آڈیٹرز:

سبکدوش ہونے والے آڈیٹرز آرائس ایم اولیس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی نے 2020-21 کے لئے ان کی دوبارہ تقرری کی سفارش کی ہے۔

مستقبل کا نقطہ نظر:

ٹیکسٹائل کے شعبے نے سال 2020 کا آغاز ایک مثبت نوٹ پر کیا کیونکہ حکومت کی جانب سے 2018 میں اقتدار کے آغاز کے بعد سے اٹھانے گئے سخت معاشی اقدامات نے موثر ثابت ہونا شروع ہوئے تھے تاہم مارچ میں ملک کو ڈی-19 وبائی امراض کا شکار ہوا تھا جس کی وجہ سے دوسری شمشاہی میں معاشی متغیر خراب ہو گئے حکومت کے لیے بڑا چیلنج اس کی برآمدت میں اضافہ کرنا ہے کیونکہ بین الاقومی مارکیٹ میں لاک ڈاؤن کے اثرات کم ہو رہے ہیں مارکیٹ کے پیچیدہ ماحول کے باوجود کمپنی تیزی سے بدلتے ہوئے حالات کے ردعمل میں کام کر رہی ہے مارکیٹ کی حرکیات کو دیکھتے ہوئے کمپنی کا مقصد اپنی مینوفیکچرنگ صلاحیتوں کو بہتر بنانا ہے ہمیں اعتماد ہے کہ حکومت کاروباری ماحول کا استحکام فراہم کرنے اور ترقی کی شرح کو بہتر بنانے کے لیے ایک متحرک پیدا کرے گی اور بہتر معاشی پالیسی نظام کے ذریعہ مہمگائی اور کرنسی کے دباؤ کو بہتر کرے گی ہم توقع کر رہے ہیں کہ ہماری سیلز مجموعی منافع اور خالص منافع میں مزید بہتری آئے گی تاہم کورونا وائرس کی ممکنہ دوسری لہر اور بحالی کی رفتار کے بارے میں غیر یقینی صورتحال پاکستانی مصنوعات کی بیرونی طلب کیلئے اہم خطرہ ہے

اعترافات:

آپ کی کمپنی کے ڈائریکٹرز اس بات کا فخر یہ اعتراف کرتے ہیں کہ ہمیں کسٹمر، بینکرز، مالی اداروں، ریگولیٹرز اور شیر ہولڈرز سے ہر طرح کا تعاون ملا اور امید کرتے ہیں کہ یہ تعاون اور مدد مستقبل میں بھی جاری رہے گی۔ ڈائریکٹرز کمپنی کے سٹاف اور ورکرز کی ایمانداری، لگن اور سخت محنت سراہتے ہیں جسکی وجہ سے کامیابی حاصل ہوئی۔

منجانب بورڈ آف ڈائریکٹرز

محمد شریف

چیئر مین

محمد زاہد

چیف ایگزیکٹو آفیسر

بتاریخ:- اکتوبر 06، 2020

لاہور

FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016	2015
	(Rupees in Thousand)					
Net Assets Employed						
Fixed assets	6,613,186	6,083,842	6,204,294	5,525,529	4,732,497	4,147,639
Intangible assets	330	1,123	1,969	3,181	5,414	3,354
Investment in subsidiary	359,200	359,200	359,200	359,200	359,200	-
Long term deposits	4,476	4,476	4,450	4,450	4,450	4,450
Current assets	5,443,587	4,696,860	4,810,746	3,256,897	2,309,844	2,050,816
Current liabilities	(4,335,041)	(4,045,774)	(4,729,949)	(3,564,381)	(2,867,811)	(2,200,559)
	1,108,546	651,085	80,797	(307,484)	(557,967)	(149,742)
Long term liabilities	(1,618,623)	(1,185,062)	(1,479,684)	(743,227)	(601,918)	(372,313)
Net Assets	6,467,116	5,914,664	5,171,025	4,841,649	3,941,677	3,633,388
Represented By						
Paid up capital	1,914,211	1,914,211	1,914,211	1,823,058	1,657,326	1,274,866
Reserves	3,395,636	2,771,705	1,935,360	1,646,077	1,578,251	1,635,886
Revaluation surplus	1,157,269	1,228,748	1,321,454	1,372,514	706,100	722,636
	6,467,116	5,914,664	5,171,025	4,841,649	3,941,677	3,633,388
Operating Results						
Sales	13,902,387	13,444,689	10,329,177	7,968,112	6,699,200	6,676,002
Gross profit	1,676,825	1,461,704	1,034,163	808,574	658,976	565,855
Operating profit	1,690,596	1,466,586	1,075,465	834,489	692,134	577,861
Profit before taxation	993,637	744,404	574,964	414,417	321,161	144,631
Financial Ratios						
Gross profit %	12.06	10.87	10.01	10.15	9.84	8.48
Operating profit %	12.16	10.91	10.41	10.47	10.33	8.66
Profit/(loss) before taxation %	7.15	5.54	5.57	5.20	4.79	2.17
Earning / (Loss) per share (Rs.)	3.64	4.08	1.70	1.19	1.86	1.91
Current ratio	1.26	1.16	1.02	0.91	0.81	0.93
Fixed assets turnover (times)	2.10	2.21	1.66	1.44	1.42	1.61
Debt equity ratio	0.15:1	0.12:1	0.15:1	0.09:1	0.14:1	0.10:1
Book value per share (Rs.)	27.74	24.48	20.11	19.03	19.52	22.83
Plant capacity and production						
Spinning						
Spindles installed/worked (Nos)	93,024	93,024	93,024	75,552	67,104	67,104
Actual production converted into						
20/s count (Kgs. In million)	38.38	34.29	33.85	31.45	27.26	21.58
Weaving						
Number of looms installed/worked(Nos)	280	280	280	280	280	280
Actual production converted into						
60 picks (Square Meters)	34,500,950	34,031,554	36,352,135	35,698,954	37,811,480	36,238,488

**Independent Auditor's Review Report
to the members of Zahidjee Textile Mills Limited**

Review Report on the statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Zahidjee 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.

**RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS**

Place: Faisalabad
Date: October 06, 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
Zahidjee 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 as per the following:

Gender	Number
Male	6
Female	1

2. The composition of the Board of Directors as at June 30, 2020 is as follows:

Category	Names
Independent Director	Mr. Sajjad Hussain Shah Mr. Faisal Masood Afzal Brig (R) Wali Muhammad
Executive Director	Mr. Muhammad Zahid Mr. Ahmad Zahid
Non-Executive Directors	Mr. Muhammad Sharif Miss Mehreen Zahid

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Presently, Three (3) directors of the Company meet the exemption requirement of the Director's Training Program. The remaining Four (4) directors shall obtain certification under the DTP in due course of time.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. 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. Faisal Masood Afzal | Chairman (Independent Director) |
| - Mr. Sajjad Hussain Shah | Member (Independent Director) |
| - Miss Mehreen Zahid | Member (Non-executive Director) |

b. **Human Resource & Remuneration Committee**

- | | |
|---------------------------|---------------------------------|
| - Brig. (R) Wali Muhammad | Chairman (Independent Director) |
| - Miss Mehreen Zahid | Member (Non-executive Director) |
| - Mr. Muhammad Sharif | Member (Non-executive Director) |
| - Mr. Muhammad Zahid | Member (Chief Executive) |

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 were as per following:
- Audit Committee: Four quarterly meetings during the financial year ended June 30, 2020.
 - HR and Remuneration Committee: One meeting during the financial year ended June 30, 2020.
15. The board has set up an effective internal audit function who 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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (Spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the Board

Dated: October 06, 2020
Lahore

MUHAMMAD SHARIF
Chairman

MUHAMMAD ZAHID
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the members of Zahidjee Textile Mills Limited

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matter:

Key Audit Matters	How our audit addressed the key audit matter
Investment in Subsidiary	
<p>The Company has made investment of Rs. 359.20 million in shares of Zahidjee Towers (Private) Limited (a subsidiary). The investment was made in the year 2015. The object of the subsidiary is to establish a Hotel. The purpose of the investment is to diversify the business as well as earn profits from hotel business. The decision to make investment was taken on the basis of judgment of the management that implementation time will be about three years by which the investment was projected to start paying return on investment. The Subsidiary has not started commercial activity since its incorporation in 2015.</p> <p>The company carries out impairment assessment of the value of investment and assessed the recoverable amounts equal to the cost of investment.</p> <p>The estimation is inherently uncertain and requires management's significant judgment therefore; we have identified this as a key audit matter.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none">- Inquiries of management, review of minutes of Board meeting and obtaining specific representations from Company's management regarding business rationale for investment in subsidiary.- Assessed the appropriateness of management's accounting for investment in subsidiary.- Considered management's process for identifying the existence of impairment indicators in respect of investment in subsidiary.- Assessed the adequacy and presentation of disclosures of investment in subsidiary in financial statements.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement 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.

Boards of Director are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

**RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS**

Place: Faisalabad

Date: October 6, 2020

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	3	6,613,186,162	6,083,842,156
Intangible assets	4	330,203	1,122,691
Investment in subsidiary	5	359,200,000	359,200,000
Long term security deposits		4,476,224	4,476,224
		6,977,192,589	6,448,641,071
CURRENT ASSETS			
Stores, spares and loose tools	6	155,356,386	154,006,894
Stock in trade	7	2,926,873,525	2,604,242,302
Trade debts	8	1,729,035,469	1,231,079,982
Loans, advances and deposit	9	249,325,964	91,503,251
Prepayments		187,967	31,027,305
Other receivables	10	84,617,550	71,311,336
Short term investment	11	56,790,569	72,984,572
Tax refunds due from Government	12	177,558,960	357,244,603
Cash and bank balances	13	63,840,188	83,459,305
		5,443,586,578	4,696,859,550
CURRENT LIABILITIES			
Trade and other payables	14	887,327,709	404,701,777
Interest / mark up payable	15	59,198,537	82,218,408
Short term borrowings	16	2,980,917,815	3,215,569,584
Unclaimed dividend		1,204,621	1,204,621
Current portion of long term finance	17	210,628,546	187,575,041
Provision for taxation - income tax	31	195,763,444	154,504,721
		4,335,040,672	4,045,774,152
		8,085,738,495	7,099,726,469
NON - CURRENT LIABILITIES			
Long term finance	17	1,137,357,078	790,419,327
Deferred liability			
Deferred taxation	18	481,265,653	394,642,812
		1,618,622,731	1,185,062,139
CONTINGENCIES AND COMMITMENTS			
Net worth	19	-	-
		6,467,115,764	5,914,664,330
Represented by :			
Share capital	20	1,914,210,990	1,914,210,990
Capital reserves			
Merger reserve		366,258,513	366,258,513
Surplus on revaluation of property, plant and equipment	21	1,157,269,154	1,228,748,321
Revenue reserves	22	3,029,377,107	2,405,446,506
		6,467,115,764	5,914,664,330
		6,467,115,764	5,914,664,330

The annexed notes from 1 to 41 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales	23	13,902,386,903	13,444,689,298
Cost of sales	24	12,225,561,762	11,982,985,770
Gross profit		<u>1,676,825,141</u>	<u>1,461,703,528</u>
Trading (loss) / profit	25	(534,299)	74,353
Other income	26	14,305,494	4,808,183
		<u>1,690,596,336</u>	<u>1,466,586,064</u>
Distribution cost	27	155,953,266	119,098,299
Administrative expenses	28	121,443,275	127,521,225
Other operating expenses	29	90,233,728	86,994,130
Finance cost	30	329,328,924	388,568,710
		<u>696,959,193</u>	<u>722,182,364</u>
Profit before taxation		<u>993,637,143</u>	<u>744,403,700</u>
Provision for taxation	31	296,218,715	(37,255,097)
Profit for the year		<u><u>697,418,428</u></u>	<u><u>781,658,797</u></u>
Earnings per share - Basic and diluted	32	<u><u>3.64</u></u>	<u><u>4.08</u></u>

The annexed notes from 1 to 41 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Profit for the year	697,418,428	781,658,797
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year - net of deferred tax	69,356,766	79,276,749
Related deferred tax	19,863,340	22,399,736
	89,220,106	101,676,485
Surplus realised on disposal of property, plant and equipment	-	15,150,420
Related deferred tax	-	4,856,325
	-	20,006,745
Total comprehensive income for the year	786,638,534	903,342,027

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVES			REVENUE RESERVES			Total
		Merger reserve	Surplus on revaluation of property, plant and equipment	Sub total	General reserve	Unappropriated profit	Sub total	
R u p e e s								
Balance as at July 01, 2018	1,914,210,990	366,258,513	1,321,453,916	1,687,712,429	300,000,000	1,269,101,864	1,569,101,864	5,171,025,283
Transaction with owners								
Dividend paid (Rs. 0.35 per share of Rs. 10 each)	-	-	-	-	-	(66,997,385)	(66,997,385)	(66,997,385)
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	781,658,797	781,658,797	781,658,797
Other comprehensive income								
Items that will not be subsequently reclassified to profit or loss :								
Incremental depreciation on revalued assets for the year	-	-	(101,676,485)	(101,676,485)	-	79,276,749	79,276,749	(22,399,736)
Related deferred tax	-	-	22,399,736	22,399,736	-	22,399,736	22,399,736	44,799,472
Surplus realised on disposal of property, plant and equipment	-	-	(20,006,745)	(20,006,745)	-	15,150,420	15,150,420	(4,856,325)
Related deferred tax	-	-	4,856,325	4,856,325	-	4,856,325	4,856,325	9,712,650
	-	-	(94,427,169)	(94,427,169)	-	121,683,230	121,683,230	27,256,061
Adjustment of deferred tax for the year	-	-	1,721,574	1,721,574	-	-	-	1,721,574
Balance as at June 30, 2019	1,914,210,990	366,258,513	1,228,748,321	1,595,006,834	300,000,000	2,105,446,506	2,405,446,506	5,914,664,330
Transaction with owners								
Dividend paid (Rs. 0.85 per share of Rs. 10 each)	-	-	-	-	-	(162,707,933)	(162,707,933)	(162,707,933)
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	697,418,428	697,418,428	697,418,428
Other comprehensive income								
Items that will not be subsequently reclassified to profit or loss :								
Incremental depreciation on revalued assets for the year	-	-	(89,220,106)	(89,220,106)	-	69,356,766	69,356,766	(19,863,340)
Related deferred tax	-	-	19,863,340	19,863,340	-	19,863,340	19,863,340	39,726,680
	-	-	(69,356,766)	(69,356,766)	-	89,220,106	89,220,106	19,863,340
Adjustment of deferred tax for the year	-	-	(2,122,401)	(2,122,401)	-	-	-	(2,122,401)
Balance as at June 30, 2020	1,914,210,990	366,258,513	1,157,269,154	1,523,527,667	300,000,000	2,729,377,107	3,029,377,107	6,467,115,764

Note - 21

The annexed notes from 1 to 41 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	993,637,143	744,403,700
Adjustment for:		
Depreciation of property, plant and equipment	518,216,824	543,208,171
Amortisation of intangible assets	792,488	845,821
Profit on deposits	(1,279,386)	(103,840)
Dividend income	(8,154,612)	(4,045,708)
Net (gain) / loss on disposal of operating assets	(4,498,944)	32,334,831
Balances written back - net	(372,552)	(134,614)
Provision for doubtful debts	-	7,952,217
Adjustment in fair value	16,591,448	14,706,149
Finance cost	329,328,924	388,568,710
Operating cash flows before working capital changes	1,844,261,333	1,727,735,437
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(1,349,492)	(40,122,686)
Stock in trade	(322,631,223)	382,810,822
Trade debts	(497,955,487)	(267,257,685)
Loans, advances and deposit	(22,669,469)	62,044,317
Prepayments	30,839,338	(29,631,915)
Other receivables	(13,306,214)	32,634,509
Tax refunds due from Government	83,122,879	37,259,103
Increase / (Decrease) in current liabilities		
Trade and other payables	482,998,484	(377,087,965)
	(260,951,184)	(199,351,500)
Cash generated from operating activities	1,583,310,149	1,528,383,937
Finance cost paid	(352,348,795)	(361,119,625)
Income tax paid	(189,186,692)	(61,519,282)
Net cash generated from operating activities	1,041,774,662	1,105,745,030

	2020 Rupees	2019 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(1,055,075,758)	(460,836,704)
Proceeds from disposal of operating assets	12,013,872	5,745,400
Addition in short term investment	(397,445)	-
Profit on deposits	1,279,386	103,840
Dividend received	8,154,612	4,045,708
Long term security deposits	-	(26,082)
Net cash (used in) investing activities	<u>(1,034,025,333)</u>	<u>(450,967,838)</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	708,370,932	74,019,750
Repayment of long term finance	(338,379,676)	(219,315,345)
(Decrease) in short term borrowings - net	(234,651,769)	(383,244,542)
Dividend paid	(162,707,933)	(66,997,385)
Unclaimed dividend paid	-	(558,388)
Net cash (used in) financing activities	<u>(27,368,446)</u>	<u>(596,095,910)</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(19,619,117)	58,681,282
Cash and cash equivalents at the beginning of the year	83,459,305	24,778,023
Cash and cash equivalents at the end of the year	<u>63,840,188</u>	<u>83,459,305</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. GENERAL INFORMATION

- 1.1 Zahidjee Textile Mills Limited (the Company) is incorporated in Pakistan on July 17, 1990 as a public limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 2017). The registered office of the Company is situated at 2-H Jail Road, Gulberg II, Lahore in the province of Punjab. The Company is listed on Pakistan Stock Exchange Limited. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at 32-KM, Tandlianwala Road, Satyana, District Faisalabad and spinning units are located at 32-KM, Sheikhpura Road, Faisalabad and M-3 Industrial Estate, Faisalabad, in the province of Punjab.
- 1.2 Pursuant to scheme of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Zahidjee Fabrics Limited were merged with the assets, liabilities and reserves of Zahidjee Textile Mills Limited with effect from July 01, 2006.
- 1.3 The financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2019 and therefore, have been applied in preparing these financial statements.

- **Amendments to IFRS 9 Prepayment Features with Negative Compensation**

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

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

- **Amendments to IAS 19 Employee Benefits on plan amendment, curtailment or settlement,**

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 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 change in the effect of the asset ceiling that may result from the plan amendment is determined in a second step and is recognised in the normal manner in other comprehensive income.

The standard requires to use updated assumptions from re-measurement to determine current service cash and net interest from the remainder of the reporting period after the change in the plan.

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

- **IFRIC 23 Uncertainty over Income Tax Treatments:**

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, determine accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, reflect the effect of uncertainty in determining accounting tax position using either the most likely amount or the expected value method.

The application of IFRIC has no material impact on the financial statements of the company.

- **Amendments to IAS 28: Investments in Associates and Joint Ventures.**

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied.

These include long-term interests that in substance, form part of the entity's net investment in an associate or joint venture. The amendment is not expected to have any material impact on the financial statements of the company.

- **Annual improvements to IFRS – Standard 2015-2017 Cycle**

The Annual Improvements include amendments to the following Standards:

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits.

IFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation. The entity is required to apply the requirements for a business combination achieved in stages, including re-measuring previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognized assets, liabilities and good will relating to joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not measure its previously held interest in the joint operation.

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

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2019 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS's and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 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:

- **Amendments to IAS 1 and IAS 8 - Definition of Material IFRS 16 Leases**

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

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

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

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

The amendments are effective for accounting period beginning on or after 1 January, 2020.

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

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

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

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

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

The amendments are applicable to transactions that are either business combinations or asset acquisitions. The amendments are effective for reporting periods beginning on or after 1 January 2020.

The application of amendments is not expected to have any effect on the company’s financial statements.

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

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

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments are effective for reporting periods starting on or after 01 January 2020.

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

- **IFRS 17 Insurance Contracts**

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

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

The standard is effective for reporting periods starting on or after 1 January 2023.

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

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

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

The amendments are effective for accounting periods beginning on or after 1 January 2020.

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

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

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

2.3 Basis of preparation

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

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

2.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 3.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

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

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

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

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

Any revaluation increase arising on freehold land, building on freehold land and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land, building on freehold land and plant and machinery improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation of building on freehold land and plant and machinery improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

2.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortisation on additions during the year is charged from the month in which an asset is acquired or

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

2.6 Investment in subsidiary

Investment in subsidiary company is measured at cost. Provision for diminution in value is made if considered permanent.

2.7 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Company commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gain / loss on sale of investments is taken to income in the period in which it arises.

Investments at fair value through profit or loss

These are the investments which are classified as held for trading and are acquired principally for the purpose of generating profit from short term fluctuation in price. Investments designated at fair value through profit or loss upon initial recognition also include those group of investments which are managed and their performance evaluated on fair value basis in accordance with the Company's documented investment strategy.

After initial recognition, such investments are remeasured at fair value determined with reference to the year end quoted rates (equity shares and investments in units of closed end funds at respective stock exchange rates, while the units of open end funds at their declared net asset value per unit). Gains or losses on remeasurments of these investments are recognised in the statement of profit or loss.

2.8 Impairment

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

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

2.9 Borrowing costs

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

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

2.10 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

2.11 Stock in trade

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

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the statement of financial position date.
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Work in process	Average manufacturing cost.
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Finished goods	Average manufacturing cost.
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Wastes are valued at net realisable value.

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

2.12 Trade debts and other receivables

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

2.13 Cash and cash equivalents

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

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

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

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

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

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

2.17 Dividend and other appropriations

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

2.18 Foreign currency translation

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

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

2.19 Financial Instruments

2.19.1 Financial assets

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

- Financial assets at amortised cost

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

- Financial assets at fair value through other comprehensive income

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

- Financial assets at fair value through profit or loss

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

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

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

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

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

2.19.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

2.20 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Company has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.21 Revenue recognition

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

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

Revenue from conversion receipts is recognised when services are rendered.

Interest income is recognized on time proportionate basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Company's right to receive payment has been established.

2.22 Critical accounting estimates and judgments

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

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

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

	Note	2020 Rupees	2019 Rupees
3.2 Depreciation for the year has been allocated as under:			
Cost of sales	24.1	510,818,009	534,907,515
Administrative expenses	28	7,398,815	8,300,656
		<u>518,216,824</u>	<u>543,208,171</u>

3.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2020 and 2019 would have been as follows:

	Carrying value	
	2020 Rupees	2019 Rupees
Freehold land	149,477,863	149,477,863
Building on freehold land	1,068,509,722	1,167,680,229
Plant and machinery	3,261,803,148	2,743,013,951
	<u>4,479,790,733</u>	<u>4,060,172,043</u>

3.4 The forced sale value of revalued freehold land, building on freehold land and plant and machinery is Rs. 3,860,421,372/-.

3.5 Detail of disposal of operating assets

2020						
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss)	Particulars of buyers
----- Rupees -----						
Factory equipment (by negotiation)	182,363	103,861	78,502	4,472	(74,030)	Haji Muhammad Iqbal, House No.45-D,Gulam Muhammad Abad Faisalabad
	182,363	103,861	78,502	4,472	(74,030)	
Office Equipment (by negotiation)	9,000	5,287	3,713	400	(3,313)	Multi.com, 1st Floor, 2nd Gallery, Rexcity, FSD
	7,800	4,443	3,357	-	(3,357)	Multi.com, 1st Floor, 2nd Gallery, Rexcity, FSD
	16,800	9,730	7,070	400	(6,670)	
Electric appliances (by negotiation)	71,600	41,294	30,306	9,000	(21,306)	MS Engineering, Muhalla Sharif pura, Maqbool Road, FSD
	71,600	41,294	30,306	9,000	(21,306)	
Vehicles (by negotiation)	14,013,353	6,614,303	7,399,050	12,000,000	4,600,950	Khawar Shafique Ahmad, 2-Z Commercial Plaza, Near Mujahid Hospital, Madina Town, Faisalabad
	14,013,353	6,614,303	7,399,050	12,000,000	4,600,950	
	<u>14,284,116</u>	<u>6,769,188</u>	<u>7,514,928</u>	<u>12,013,872</u>	<u>4,498,944</u>	

2019						
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss)	Particulars of buyers
----- Rupees -----						
Plant and (by negotiation)	5,320,956	851,353	4,469,603	250,000	(4,219,603)	Al Afzal Traders Makoana main bazar jarranwala road FSD
	5,103,910	816,626	4,287,284	200,000	(4,087,284)	Akbar Ali Shop No # 231 Stadium road FSD
	394,978	54,309	340,669	225,000	(115,669)	Shaukat Basra office No. B-21 maqbool road FSD
	133,247	24,318	108,929	89,953	(18,976)	Al Huda Scrap dealer Nankana road Shahkot.
	1,469,222	268,133	1,201,089	1,119,319	(81,770)	Sahbbir and sons shadra market Mushtaq palaza ground floor Batti chowk Lahore
	167,778	30,619	137,158	122,148	(15,010)	AA Traders, Jinnah Colony, Faisalabad.
	32,346,821	6,145,896	26,200,925	3,600,000	(22,600,925)	Latif Choke House# 465 Ghulam Muhammad Abad Block A Faisalabad
	44,936,912	8,191,254	36,745,657	5,606,420	(31,139,238)	
Office Equipment (by negotiation)	107,014	74,588	32,426	18,580	(13,846)	Faisal Kabbar jalvi market FSD
	107,014	74,588	32,426	18,580	(13,846)	
Electric installations (by negotiation)	2,938,130	1,673,361	1,264,769	104,500	(1,160,269)	Asghar computer and accessories House Millat chowk hussaini market FSD
	2,938,130	1,673,361	1,264,769	104,500	(1,160,269)	
Electric appliances	35,500	14,344	21,156	8,900	(12,256)	Ali meer shop No.41 bholle di jughi Sargodha road nera larri adda. FSD
	32,132	15,910	16,223	7,000	(9,223)	Haji bashir AC fitter Nigheban pura main market. FSD
	67,632	30,254	37,379	15,900	(21,479)	
	48,049,688	9,969,457	38,080,230	5,745,400	(32,334,831)	

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

Location	Usage of immovable property	Total Area (in square foot)
a) 32-KM, Sheikhpura Road, Faisalabad.	Spinning unit and power house	660,752
b) 32-KM, Tandlianwala Road, Faisalabad.	Weaving unit	628,899
c) Raja Bolay, Tehsil Cantt, District Lahore.	Godown	1,971,094
d) Plot # 6, M-3 Industrial Estate, Faisalabad.	Spinning unit and power house	756,856
g) Small industrial Estate Road, Faisalabad.	Export house	11,707

3.7 Capital work in progress

	Civil work	Plant and machinery	Total
-----Rupees-----			
Balance as at July 1, 2018	135,014,249	880,020	135,894,269
Additions	71,915,354	97,259,705	169,175,059
Transfer to operating assets	(615,000)	-	(615,000)
Balance as at June 30, 2019	206,314,603	98,139,725	304,454,328
Additions	163,572,832	698,277,786	861,850,618
Transfer to operating assets	(17,258,572)	(760,318,961)	(777,577,533)
Balance as at June 30, 2020	352,628,863	36,098,550	388,727,413

3.8 It represents land held for future expansion.

3.9 Particulars of immovable property (i.e. non- operating land) in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (in square foot)
a) Raja Bolay, Tehsil Cantt, District Lahore.	Land held for future expansion	69,404
b) Deve Khurd Kalan, Tehsil Model Town, District Lahore.	Land held for future expansion	14,974

Note	2020 Rupees	2019 Rupees
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4. Intangible assets

Computer software and license

Cost	11,164,402	11,164,402
Accumulated amortisation	(10,834,199)	(10,041,711)
Written down value	330,203	1,122,691

4.1 Reconciliation of written down value

Opening written down value		1,122,691	1,968,512
Amortisation for the year	28	(792,488)	(845,821)
Closing balance		330,203	1,122,691

4.1.1 Amortisation rate is 20% per annum.

5. Investment in subsidiary

Zahidjee Towers (Private) Limited

35,920,000 (2019: 35,920,000) ordinary shares of Rs. 10/- each

fully paid in cash. Ownership interest 54.39% (2019: 54.39%).

359,200,000	359,200,000
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5.1 Zahidjee Towers (Private) Limited is incorporated in Pakistan on October 6, 2015 as a private limited company under the repealed Companies Ordinance, 1984. The principal object of Zahidjee Towers (Private) Limited is to provide all kinds of services related to the business of Hotels, Restaurants, Resorts, Motels. Registered office of the subsidiary is situated at 20 Bilal Road, Civil Lines, Faisalabad in the province of Punjab.

5.2 No provision for impairment has been made against investment in subsidiary as diminution in value is assessed to be temporary.

5.3 Investment in subsidiary company has been made in accordance with the requirements under the Companies Act, 2017.

	Note	2020 Rupees	2019 Rupees
6. Stores, spares and loose tools			
Stores		69,805,364	78,900,974
Spares	6.1	85,266,040	74,775,194
Loose tools		284,982	330,726
		<u>155,356,386</u>	<u>154,006,894</u>

6.1 Spares and spares include items that may result in fixed capital expenditure but are not distinguishable.

	Note	2020 Rupees	2019 Rupees
7. Stock in trade			
Raw materials in hand	7.1	2,189,259,633	2,264,422,626
Work in process		129,047,680	108,030,960
Finished goods	7.1	599,664,940	221,675,477
Waste		8,901,272	10,113,239
		<u>2,926,873,525</u>	<u>2,604,242,302</u>

7.1 Stock in trade amounting to Rs.2,116.17 million (2019: Rs. 2,006.89 million) was pledged as security with the banking companies.

	Note	2020 Rupees	2019 Rupees
8. Trade debts			
Considered good			
Secured			
Foreign	8.1	72,606,237	65,720,240
Unsecured			
Foreign	8.1	348,644,054	323,752,504
Local		1,307,785,178	841,607,238
		1,656,429,232	1,165,359,742
Considered doubtful			
Unsecured			
Foreign	8.1	22,600,585	22,600,585
Less: Provision for doubtful debts		(22,600,585)	(22,600,585)
		-	-
Local		69,585,176	69,585,176
Less: Provision for doubtful debts		(69,585,176)	(69,585,176)

8.1 Following are the details of debtors in relation to export sales:

Jurisdiction	Category	Note	2020 Rupees	2019 Rupees
Africa	Letter of credit		22,848,400	8,137,829
	Cash against documents		31,233,896	22,600,585
			54,082,296	30,738,414
Europe	Letter of credit		37,440,568	22,336,231
	Cash against documents		19,702,571	61,938,068
			57,143,139	84,274,299
North America	Letter of credit		12,317,269	-
	Cash against documents		276,641,200	60,801,081
			288,958,469	60,801,081
South America	Cash against documents		43,666,972	236,259,535
			<u>443,850,876</u>	<u>412,073,329</u>

9. Loans, advances and deposit

Considered good

Advances

Employees

Suppliers

For purchases and expenses

Income tax

Letters of credit fee and expenses

2,774,116	2,611,289
45,619,853	33,705,965
11,822,044	560,800
187,793,896	52,640,652
1,316,055	1,984,545
<u>249,325,964</u>	<u>91,503,251</u>

10. Other receivables

Considered good

Export rebate / duty drawback

Receivable from subsidiary

Other

80,432,062	65,966,728
800,000	800,000
3,385,488	4,544,608
<u>84,617,550</u>	<u>71,311,336</u>

10.1 It represents receivable in respect of expenses incurred for Zahidjee Towers (Private) Limited, a related party. It is unsecured and past due over three years.

11. Short term investment

Financial assets at fair value through profit or loss

Quoted securities

Habib Metropolitan Bank Limited

2,022,854 (2019: 2,022,854) Ordinary shares of Rs.10/- each

JS Bank Limited

100,000 (2019: Nil) Ordinary shares of Rs.10/- each

2020 Rupees	2019 Rupees
72,984,572	87,690,721
397,445	-
<u>73,382,017</u>	<u>87,690,721</u>
<u>(16,591,448)</u>	<u>(14,706,149)</u>
<u>56,790,569</u>	<u>72,984,572</u>

Adjustment in fair value - net

11.1 The fair value of short term investment is based on prices quoted in active markets which is level 1 of fair value hierarchy.

	Note	2020 Rupees	2019 Rupees
12. Tax refunds due from Government			
Income tax		138,464,152	235,026,916
Sales tax		39,094,808	122,217,687
		<u>177,558,960</u>	<u>357,244,603</u>

13. Cash and bank balances

Cash in hand		5,511,113	7,940,131
Cash at banks			
In current accounts		53,319,624	75,509,723
In PLS accounts	13.1	5,009,451	9,451
		<u>63,840,188</u>	<u>83,459,305</u>

13.1 Effective profit rate in respect of PLS accounts was 7.10% to 12.85% per annum (2019 : 4.50% to 10.25% per annum).

	Note	2020 Rupees	2019 Rupees
14. Trade and other payables			
Creditors		466,075,552	182,462,294
Accrued liabilities		167,709,560	139,666,798
Advance from customers		41,227,508	20,805,281
Payable to provident fund		6,384,138	7,615,773
Workers' profit participation fund	14.1	53,363,971	39,953,150
Workers' welfare fund		20,278,309	-
Withholding taxes		39,249,999	14,198,481
Sales tax payable		93,038,672	-
		<u>887,327,709</u>	<u>404,701,777</u>

14.1 Workers' profit participation fund

Opening balance		39,953,150	30,229,939
Interest on funds utilised in the Company's business		3,893,626	2,509,748
		<u>43,846,776</u>	<u>32,739,687</u>
Paid to workers on behalf of the fund		(43,846,776)	(32,739,687)
		<u>-</u>	<u>-</u>
Allocation for the year		53,363,971	39,953,150
		<u>53,363,971</u>	<u>39,953,150</u>

15. Interest / mark up payable

Interest / mark up payable on:			
Short term borrowings		42,273,616	68,805,709
Long term finance		16,924,921	13,412,699
		<u>59,198,537</u>	<u>82,218,408</u>

	Note	2020 Rupees	2019 Rupees
16. Short term borrowings			
Secured			
From banking companies			
Export finances	16.2	471,000,000	849,950,000
Running finances	16.2	223,507,475	165,329,623
Cash finances	16.3	2,113,331,367	1,951,195,847
Un-secured			
From directors and associates	16.4	173,078,973	249,094,114
		<u>2,980,917,815</u>	<u>3,215,569,584</u>

16.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 3,875.66 million (2019 : Rs. 3,618.25 million).

16.2 These are secured against first joint parri passu charge and ranking charge over present and future current assets of the Company, lien on export documents and by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 1.25% per annum (2019: one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% per annum) and SBP rate plus 1% per annum (2019: SBP rate plus 1% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 15.38% per annum (2019: 3.00% to 14.88% per annum).

16.3 These are secured against pledge of cotton, polyester, yarn and grey cloth. These are further secured by personal guarantee of directors of the Company. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum and three months KIBOR plus 1% per annum (2019: one month KIBOR plus 1% to 1.50% per annum and three months KIBOR plus 1% per annum).

The effective rate of mark up charged during the year ranges from 8.26% to 15.42% per annum (2019: 11.99% to 14.29%).

16.4 These are interest free and obtained for meeting working capital requirements of the company.

	Note	2020 Rupees	2019 Rupees
17. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	17.2	1,018,909,250	606,354,022
Demand finances	17.2	329,076,374	327,111,246
Diminishing Musharakah	17.2	-	44,529,100
		<u>1,347,985,624</u>	<u>977,994,368</u>
Less : Current portion			
Payable within one year		(210,628,546)	(187,575,041)
		<u>1,137,357,078</u>	<u>790,419,327</u>

17.1 Reconciliation of long term financing:

Balance as at July 1, 2019	977,994,368	1,123,289,963
Obtained during the year	708,370,932	74,019,750
	<u>1,686,365,300</u>	<u>1,197,309,713</u>
Paid during the year	(338,379,676)	(219,315,345)
Balance as at June 30, 2020	<u>1,347,985,624</u>	<u>977,994,368</u>

17.2 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments		Payment rests	Commencement date	Ending date	Markup rate
		Total	Balance				
Term finances							
I	18,278,322	16	3	Quarterly	25-Jun-17	25-Mar-21	SBP Rate + 1.5% p.a
II	5,514,567	16	4	Quarterly	5-Aug-17	5-May-21	SBP Rate + 1.5% p.a
III	3,307,832	16	9	Quarterly	11-Oct-17	11-Jul-21	SBP Rate + 1.5% p.a
IV	22,037,563	16	6	Quarterly	13-Jan-18	13-Oct-21	SBP Rate + 1.5% p.a
V	31,731,000	16	6	Quarterly	27-Jan-18	27-Oct-21	SBP Rate + 1.5% p.a
VI	2,363,000	16	7	Quarterly	20-May-18	20-Feb-22	SBP Rate + 1.5% p.a
VII	21,319,027	36	32	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
VIII	3,390,580	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
IX	5,116,892	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
X	39,781,554	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XI	18,559,196	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XII	3,227,858	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIII	85,669,223	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIV	38,951,027	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XV	47,369,168	36	30	Quarterly	6-Mar-19	6-Dec-27	SBP Rate + 1% p.a
XVI	39,578,036	36	30	Quarterly	7-Aug-19	7-May-28	SBP Rate + 1% p.a
XVII	9,078,944	36	34	Quarterly	24-Jan-20	24-Oct-28	SBP Rate + 1% p.a
XVIII	21,777,000	36	34	Quarterly	24-Jan-20	24-Oct-28	SBP Rate + 1% p.a
XIX	34,438,222	36	34	Quarterly	14-Feb-20	14-Nov-28	SBP Rate + 1% p.a
XX	8,755,128	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXI	23,189,620	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXII	8,174,490	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXIII	112,119,150	36	36	Quarterly	14-Jan-20	13-Jan-23	SBP Rate + 1.5% p.a
XXIV	13,816,000	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXV	94,224,750	36	36	Quarterly	14-Jan-20	13-Jan-23	SBP Rate + 1.5% p.a
XXVI	24,854,421	24	24	Quarterly	14-Nov-19	14-Nov-26	SBP Rate+ 1.50% p.a
XXVII	275,096,250	24	24	Quarterly	22-Oct-19	22-Oct-26	SBP Rate + 2% p.a
XXVIII	3,119,808	36	33	Quarterly	1-Jul-19	18-Jun-28	SBP Rate + 2% p.a
XXIX	4,070,622	36	30	Quarterly	4-Dec-19	25-Nov-27	SBP Rate + 1.5% p.a
	1,018,909,250						
Demand Finances							
I	14,716,511	36	31	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
II	3,142,195	36	31	Quarterly	23-Apr-19	23-Jan-28	SBP Rate + 2.5% p.a
III	45,961,980	36	31	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
IV	11,270,850	36	31	Quarterly	27-May-19	27-Feb-28	SBP Rate + 2.5% p.a
V	6,498,044	36	32	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
VI	89,965,445	36	31	Quarterly	7-Apr-19	7-Jan-28	SBP Rate + 2.5% p.a
VII	3,166,670	36	30	Quarterly	1-Mar-19	5-Dec-27	SBP Rate + 2.5% p.a
VIII	5,359,172	36	30	Quarterly	12-Feb-19	12-Nov-27	SBP Rate + 2.5% p.a
IX	58,509,498	36	31	Quarterly	1-Apr-19	30-Jan-28	SBP Rate + 2.5% p.a
X	50,904,585	36	32	Quarterly	1-Jul-19	6-Mar-28	SBP Rate + 2.5% p.a
XI	39,581,424	36	32	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
	329,076,374						

The loans are secured against first joint parri passu charge and ranking charge over present and future fixed assets of the Company. It is further secured by the personal guarantee of directors of the Company. The aggregate unavailed facility available to the Company is Rs. 359.01 million (2019: Rs. 238.53 million.)

Effective markup rates charged during the year ranges from 3.00% to 14.47% per annum (2019: 3.00% to 14.21%).

	2020 Rupees	2019 Rupees
18. Deferred taxation		
Opening balance	394,642,812	551,785,282
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(19,863,340)	(22,399,736)
Surplus realised on disposal of revalued assets	-	(4,856,325)
Provision / (reversal) of deferred tax on surplus	2,122,401	(1,721,574)
Provided / (reversed) during the year	104,363,780	(128,164,835)
	<u>481,265,653</u>	<u>394,642,812</u>

18.1 It represents the following:

Deferred tax liability:		
Difference between accounting and tax bases of assets	579,865,356	410,296,403
Deferred tax asset:		
Carry forward tax credits and losses	(98,599,703)	(15,653,591)
	<u>481,265,653</u>	<u>394,642,812</u>

19. CONTINGENCIES AND COMMITMENTS

Contingencies

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
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Income tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed order and created demand of Rs. 46,673,768/- (2019: Rs. 46,673,768/-) in respect of tax year 2015. Currently appeals against this order are pending before Commissioner (Appeals) Lahore. Further, The Assessing Officer has passed order u/s 122 for Tax Year 2016, 2017 and 2018 vide orders dated 20-2-2020 resultantly creating excess tax liability of Rs.140,905,114/-. This liability was adjusted by reducing refund of Rs.59,911,020/- , Rs.78,111,299/- and Rs.2,882,995/- relating to Tax Year 2016, 2017 and 2018. The Company has filed appeal against these orders before the Commissioner Inland Revenue Appeals II, Lahore. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	April 06, 2017 March 17, 2020
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Sales tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders in respect of tax period July-2011 to June-2016, November-2013 and July-2011 to April-2012 and created demand of Rs. 9,405,301/- (2019: Rs. 9,405,301/-), Rs. 439,654/- (2019: Rs. 439,654/-) and Rs. 232.667/- (2019: Rs. 232.667/-) respectively. Currently the cases are pending for adjudication before Commissioner Inland Revenue (Appeals). The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	June 10, 2015 June 30, 2017 November 10, 2017 June 14, 2018
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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Assistant Commissioner Inland Revenue	<p>The Assistant Commissioner Inland Revenue passed order and created demand in respect of tax period April-2017 to Novemebr-2018 of Rs. 41,943,769/- in respect of evading sales tax and Rs.5,403,873/- in respect of evading further tax. Besides, penalty amounting to Rs.41,943,769 is also imposed. The Commissioner inland revenue order to deposit the amount into Government exchequer under 11(3) of the Sales Tax Act 1990 along with default surcharge (to be calculated at the time of deposit) under section 34(1)(a) of the Sales Tax Act, 1990. Subsequently the appeal is filed before Commissioner Inland Revenue (Appeals). Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Federal Board of Revenue	February 17, 2020
Appellate Tribunal Inland Revenue	<p>The assessing officer of Inland Revenue passed orders in original in respect of tax periods from August-2013 to July-2015 and July-2010 to June-2011 and created demand of Rs. 8,806,053/- (2019: Rs. 8,806,053/-). Being aggrieved by the orders the company filed appeals before the CIR(A) against the ONOs. The CIR(A) partially set aside the demand of Rs. 1,545,923/- (2019: Rs. 1,545,923/-) and disposed off the appeals. The company filed the appeals before ATIR for the remaining demand. Currently the case is pending for adjudication before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Federal Board of Revenue	March 22, 2014 August 22, 2016
Other	<p>The Director Social Security issued an order based on reassessment of number of employees and demanded Rs. 4,192,808/- (2019: Rs. 4,192,808/-) contribution regarding prior years. Currently the case is pending for adjudication before Appellate Tribunal Lahore. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Director Social Security	October 25, 2016

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
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Custom Appellate Tribunal. Lahore	The custom officer of Excise and Customs department passed order in respect of year ended June 30, 2019 and created demand of Rs. 7,997,509 which includes penalty of Rs. 100,000/- and default surcharge of Rs. 25,000/- (2019: Rs.7,997,509/- which includes penalty of Rs. 100,000/- and default surcharge of Rs. 25,000/-). Currently the case is pending for adjudication before Custom Appellate Tribunal Lahore. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Company. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Assistant collector (DTRE) MCC. Faisalabad	June 26, 2018
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	2020 Rupees	2019 Rupees
Bank guarantees issued in favour of : Sui Northern Gas Pipelines Limited for supply of gas. Faisalabad Electric Supply Company Limited for supply of electricity.	98,955,000 21,342,760	86,820,000 21,342,760
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery.	402,418,776	242,878,245
Commitments		
Under letters of credit for: Plant and machinery Raw material and spare parts	7,562,277 378,250,710	510,988,862 180,017,589
Under contracts for purchase of land Under contracts for civil work	38,961,044 90,700,872	143,583,466 -

20. Share capital

20.1 Authorised capital

2020 Number of shares	2019		2020 Rupees	2019 Rupees
<u>220,000,000</u>	<u>220,000,000</u>	Ordinary shares of Rs. 10/- each.	<u>2,200,000,000</u>	<u>2,200,000,000</u>

20.2 Issued, subscribed and paid up capital

2020 Number of shares	2019 Number of shares		2020 Rupees	2019 Rupees
89,462,580	89,462,580	Ordinary shares of Rs. 10/- each fully paid in cash.	894,625,800	894,625,800
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
78,916,915	78,916,915	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	789,169,150	789,169,150
<u>191,421,099</u>	<u>191,421,099</u>		<u>1,914,210,990</u>	<u>1,914,210,990</u>
			2020 Rupees	2019 Rupees

21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Surplus on revaluation of property, plant and equipment at the beginning of the year		1,425,497,257	1,547,180,487
Transferred to unappropriated profit in respect of :			
Incremental depreciation	(89,220,106)		(101,676,485)
Surplus realised on disposal	-		(20,006,745)
	<u>(89,220,106)</u>		<u>(121,683,230)</u>
Surplus on revaluation of property, plant and equipment as at June 30,		1,336,277,151	1,425,497,257
Related deferred tax liability on:			
Revaluation at the beginning of the year		196,748,936	225,726,571
Deferred tax relating to:			
Incremental depreciation	(19,863,340)		(22,399,736)
Surplus realised on disposal	-		(4,856,325)
Deferred tax provided / (reversed) during the year	2,122,401		(1,721,574)
	<u>179,007,997</u>		<u>196,748,936</u>
	<u>1,157,269,154</u>		<u>1,228,748,321</u>

21.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Joseph Lobo (Pvt) Limited as at June 30, 2017. Freehold land, building on freehold land and plant and machinery were revalued on market value basis. The valuation is based on unobservable inputs which is Level 3 of fair value hierarchy.

	Note	2020 Rupees	2019 Rupees
22. Revenue reserves			
General reserves	22.1	300,000,000	300,000,000
Unappropriated profit		2,729,377,107	2,105,446,506
		<u>3,029,377,107</u>	<u>2,405,446,506</u>

22.1 These reserves are available for distribution to shareholders.

	Note	2020 Rupees	2019 Rupees
23. Sales			
Export			
Cloth / made ups	23.1	2,729,142,323	2,341,893,792
Indirect export - Yarn		60,737,933	-
		<u>2,789,880,256</u>	<u>2,341,893,792</u>
Local			
Yarn		10,472,013,173	10,733,368,372
Cloth		115,672,362	12,040,679
Waste and left over		511,356,748	403,298,738
Conversion receipts		32,086,139	20,483,012
		<u>11,131,128,422</u>	<u>11,169,190,801</u>
		<u>13,921,008,678</u>	<u>13,511,084,593</u>
Add: Export rebate / duty drawback		91,855,313	25,323,420
		<u>14,012,863,991</u>	<u>13,536,408,013</u>
Less: Commission and claims		110,477,088	91,718,715
		<u>13,902,386,903</u>	<u>13,444,689,298</u>

23.1 It includes exchange gain of Rs. 18,648,878/- (2019: Rs. 92,672,483/-).

	Note	2020 Rupees	2019 Rupees
24. Cost of sales			
Cost of goods manufactured	24.1	12,602,339,258	11,991,206,135
Finished goods			
Opening stock		231,788,716	223,568,351
Closing stock		(608,566,212)	(231,788,716)
		<u>(376,777,496)</u>	<u>(8,220,365)</u>
		<u>12,225,561,762</u>	<u>11,982,985,770</u>

24.1 Cost of goods manufactured

Raw material consumed	24.1.1	9,930,641,999	9,393,527,071
Packing material consumed		123,787,183	124,689,140
Salaries, wages and benefits		718,520,181	684,141,205
Retirement benefits		27,706,799	25,127,754
Stores and spares consumed		290,760,658	350,762,370
Fuel and power		977,506,773	859,240,403
Repairs and maintenance		23,755,624	21,861,435
Insurance		14,333,316	15,057,981
Depreciation	3.2	510,818,009	534,907,515
Other		5,525,436	5,823,083
		<u>12,623,355,978</u>	<u>12,015,137,957</u>
Work in process			
Opening stock		108,030,960	84,099,138
Closing stock		(129,047,680)	(108,030,960)
		<u>(21,016,720)</u>	<u>(23,931,822)</u>
		<u>12,602,339,258</u>	<u>11,991,206,135</u>

	Note	2020 Rupees	2019 Rupees
24.1.1 Raw material consumed			
Opening stock		2,264,422,626	2,481,314,014
Purchases including purchase expenses		9,855,479,006	9,176,635,683
		<u>12,119,901,632</u>	<u>11,657,949,697</u>
Closing stock		(2,189,259,633)	(2,264,422,626)
		<u>9,930,641,999</u>	<u>9,393,527,071</u>
25. Trading (loss) / profit			
Sale of cotton / polyester		35,492,754	34,218,744
Cost of sales		36,027,053	34,144,391
		<u>(534,299)</u>	<u>74,353</u>
26. Other income			
Income from financial assets:			
Profit on deposits		1,279,386	103,840
Dividend		8,154,612	4,045,708
Income from assets other than financial assets:			
Scrap sales		-	524,021
Gain on disposal of operating assets-net		4,498,944	-
Balances written back-net		372,552	134,614
		<u>14,305,494</u>	<u>4,808,183</u>
27. Distribution cost			
Ocean freight		107,131,433	74,077,840
Local freight		20,635,129	17,834,694
Clearing and forwarding		20,062,722	17,285,368
Export development surcharge		6,294,399	5,146,171
Insurance		593,302	652,404
Other		1,236,281	4,101,822
		<u>155,953,266</u>	<u>119,098,299</u>
28. Administrative expenses			
Directors' remuneration		6,800,000	5,865,000
Staff salaries and benefits		49,718,849	58,431,380
Retirement benefits		3,505,163	3,598,416
Postage and telecommunication		3,623,590	3,258,992
Vehicles running and maintenance		14,461,435	13,196,136
Travelling and conveyance		7,008,001	1,716,491
Printing and stationery		1,174,269	1,333,125
Electricity and gas		3,244,225	3,137,418
Fees, subscriptions and periodicals		5,410,901	5,011,922
Advertisement		74,100	128,648
Insurance		1,992,322	686,754
Auditors' remuneration	28.1	1,615,750	1,615,750
Legal and professional		6,516,114	2,835,818
Rent, rates and taxes		446,781	266,964
Entertainment		2,151,225	1,742,214
Provision for doubtful debts		-	7,952,217
Depreciation	3.2	7,398,815	8,300,656
Amortisation of intangible assets	4.1	792,488	845,821
Other		5,509,247	7,597,503
		<u>121,443,275</u>	<u>127,521,225</u>

	Note	2020 Rupees	2019 Rupees
28.1 Auditors' remuneration			
Audit fee		1,200,000	1,200,000
Fee for the review of half yearly financial information		300,000	300,000
Other Certifications		15,750	15,750
Out of pocket expenses		100,000	100,000
		<u>1,615,750</u>	<u>1,615,750</u>
29. Other operating expenses			
Workers' profit participation fund		53,363,971	39,953,150
Workers' welfare fund		20,278,309	-
Loss on disposal of operating assets-net		-	32,334,831
Adjustment in fair value of short term investment - net		16,591,448	14,706,149
		<u>90,233,728</u>	<u>86,994,130</u>
30. Finance cost			
Interest / mark up on:			
Long term finance		52,755,196	48,458,036
Short term borrowings		263,693,354	327,938,428
Workers' profit participation fund		3,893,626	2,509,748
Bank charges and commission		8,986,748	9,662,498
		<u>329,328,924</u>	<u>388,568,710</u>
31. Provision for taxation			
Current			
for the year		195,763,444	154,504,721
for prior year		(3,908,509)	(63,594,983)
Deferred		104,363,780	(128,164,835)
		<u>296,218,715</u>	<u>(37,255,097)</u>
31.1 Relationship between tax expense and accounting profit			
Reconciliation between accounting profit and tax expense has not been presented in these financial statements as income of the company is subject to minimum tax and final tax under Section 113 and 154 of the Income Tax Ordinance, 2001.			
		2020	2019
32. Earnings per share - Basic and diluted			
Profit for the year (Rupees)		<u>697,418,428</u>	<u>781,658,797</u>
Weighted average number of ordinary shares outstanding during the year		<u>191,421,099</u>	<u>191,421,099</u>
Earnings per share - Basic and diluted (Rupees)		<u>3.64</u>	<u>4.08</u>

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

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2020			2019		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	2,816,000	1,536,000	21,138,240	2,752,000	1,001,600	19,000,320
House rent allowance	1,267,200	691,200	9,512,208	1,238,400	450,720	8,550,144
Medical allowance	281,600	153,600	2,113,824	275,200	100,160	1,900,032
Utilities allowance	35,200	19,200	264,228	34,400	12,520	237,504
	<u>4,400,000</u>	<u>2,400,000</u>	<u>33,028,500</u>	<u>4,300,000</u>	<u>1,565,000</u>	<u>29,688,000</u>
Number of persons	1	1	13	1	1	11

33.1 Chief Executive Officer is entitled to free use of the Company maintained vehicle. The monetary value of running and maintenance is Rs. 3,125,044/- (2019: Rs. 2,926,084/-). The Directors have waived off their meeting fee.

34. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of subsidiary, associated undertakings, key management personnel and provident fund. Amounts due to / from related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Director and Executives is disclosed in Note 33. Other significant transaction with related parties are as follows.

Name of the related party	Relationship and Percentage	Transactions during the year	2020	2019
			Rupees	Rupees
Muhammad Zahid	Director	Loan obtained	33,000,000	152,792,000
		Loan repaid	109,015,141	8,005,918
Zahidjee Textile Mills Limited Staff Provident Fund Trust	Other related party	Contribution for the year	31,211,962	28,726,170

2020 2019

35. DISCLOSURE WITH REGARD TO PROVIDENT FUND

Size of the fund	(Rupees)	135,475,663	108,461,295
Cost of investment made	(Rupees)	119,500,000	95,000,000
Percentage of investment made	(Percentage)	88.21%	87.59%
Fair value of investment	(Rupees)	119,500,000	95,000,000

35.1 These figures are based on the un-audited financial statements of the provident fund.

2020 2019

36. NUMBER OF EMPLOYEES

Total number of employees as at June 30	1846	2005
Average number of employees during the year	1893	2014

	2020 Rupees	2019 Rupees
37. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of spindles installed	93,024	93,024
Number of spindles worked	93,024	93,024
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	41,072,983	38,020,617
Actual production of yarn 28,272,379 Kgs (2019: 26,765,249 Kgs) after conversion into 20/s count (Kgs)	38,376,019	34,290,567
Weaving		
Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	34,500,950	34,031,554

37.1 Reasons for shortfall:

- It is difficult to determine precisely the production / rated capacity since it fluctuates widely depending on various factors such as speed, width and quality etc.
- The actual production is planned to meet the market demand.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2020 Rupees	2019 Rupees
38.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Investment in subsidiary	359,200,000	359,200,000
Long term deposits	4,476,224	4,476,224
Trade debts	1,729,035,469	1,231,079,982
Loans, advances and deposit	2,774,116	2,611,289
Other receivables	3,385,488	4,544,608
Cash and bank balances	63,840,188	83,459,305
	<u>2,162,711,485</u>	<u>1,685,371,408</u>
Financial asset at fair value:		
Short term investments	<u>56,790,569</u>	<u>72,984,572</u>

	2020 Rupees	2019 Rupees
Financial liabilities at amortised cost:		
Trade and other payables	753,486,231	329,744,865
Interest / mark up payable	59,198,537	82,218,408
Short term borrowings	2,980,917,815	3,215,569,584
Unclaimed dividend	1,204,621	1,204,621
Long term finance	1,347,985,624	977,994,368
	<u>5,142,792,828</u>	<u>4,606,731,846</u>

38.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

38.2.1 Credit risk and concentration of credit risk

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

	2020 Rupees	2019 Rupees
Long term deposits	4,476,224	4,476,224
Trade debts	1,729,035,469	1,231,079,982
Loans, advances and deposit	2,774,116	2,611,289
Other receivables	3,385,488	4,544,608
Bank balances	58,329,075	75,519,174
	<u>1,798,000,372</u>	<u>1,318,231,277</u>

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

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

	2020 Rupees	2019 Rupees
Not past due	1,687,864,419	1,213,050,598
Past due	133,356,811	110,215,145
Less: Provision for doubtful debts	(92,185,761)	(92,185,761)
	<u>41,171,050</u>	<u>18,029,384</u>
	<u>1,729,035,469</u>	<u>1,231,079,982</u>

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

38.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2020 and June 30, 2019:

	2020					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	640,169	640,169	640,169	-	-	-
Interest / mark up payable	59,199	59,199	59,199	-	-	-
Short term borrowings	2,980,918	3,110,958	3,110,958	-	-	-
Long term finance	1,347,986	1,576,488	116,270	148,085	862,897	449,236
	<u>5,028,272</u>	<u>5,386,814</u>	<u>3,926,596</u>	<u>148,085</u>	<u>862,897</u>	<u>449,236</u>

	2019					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
-----Rupees in thousand-----						
Financial liabilities:						
Trade and other payables	329,745	329,745	329,745	-	-	-
Interest / mark up payable	82,218	82,218	82,218	-	-	-
Short term borrowings	3,215,570	3,383,595	3,383,595	-	-	-
Long term finance	977,994	1,191,326	115,665	125,636	612,416	337,609
	<u>4,605,527</u>	<u>4,986,884</u>	<u>3,911,223</u>	<u>125,636</u>	<u>612,416</u>	<u>337,609</u>

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Company will manage the liquidity risk from its own source through working capital management. As at the year end, the Company has liquid assets of Rs.2,114.80 million (2019: Rs. 1,849.72 million) and unavailed borrowing facilities of Rs.3875.66 million (2019: Rs.3,618.25 million).

38.2.3 Market risk

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

i) Interest rate risk

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

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate

The Company has no fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.42.61 million (2019: Rs. 36.49 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 449.64 million (2019: Rs. 503.98 million).

At June 30, 2020, had the currency been weakened / strengthened by 5% against the U.S dollar and Euro, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs.21.3 million (2019: Rs. 20.41 million).

iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. At the financial position date the Company is exposed to equity price risk in respect of short term investments. The total equity price risk exposure on reporting date amounted to Rs. 415.99 million (2019: Rs. 432.18 million).

At June 30, 2020, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments and equity would have been higher /

38.3 Fair values of financial instruments

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

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

38.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the company as of June 30, 2020 and 2019 were as follows:

	Note	2020 Rupees	2019 Rupees
Total Debt	16 &17	4,328,903,439	4,193,563,952
Less: Cash and bank balances		63,840,188	83,459,305
Net Debt		<u>4,265,063,251</u>	<u>4,110,104,647</u>
Total equity		6,467,115,764	5,914,664,330
Total capital		<u>10,732,179,015</u>	<u>10,024,768,977</u>
Gearing ratio		39.74%	41.00%

39. Impact of COVID-19 on the financial statements.

The pandemic of COVID-19 that has spread all over the world has adversely impacted the global economy. On March 23, 2020, the Government of Pakistan announced a temporary lock down as a measure to reduce the spread of COVID-19. Complying with the lockdown, the company temporarily suspended its operations from March 24, 2020. In the Company's case, the lockdown was subsequently relaxed after implementing all the necessary Standard operating Procedures (SOPs) to ensure safety of employees, the company resumed its operations from April 04, 2020, and taken all necessary steps to ensure smooth running of its business. The management has evaluated and concluded that there are no material implications of COVID-19, that require specific disclosure in the financial statements.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 06, 2020 by the Board of Directors of the Company.

41. Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF EXECUTIVE OFFICER

Pattern of Shareholding

AS ON 30-06-2020

No. of Shareholders	Shareholding		Total Shares held
	From	To	
172	1	100	6,188
885	101	500	259,392
488	501	1000	349,509
1646	1001	5000	2,067,040
38	5001	10000	259,030
13	10001	15000	167,823
3	15001	20000	54,946
6	20001	25000	127,752
2	25001	30000	53,879
2	30001	35000	69,081
1	35001	40000	38,500
1	45001	50000	48,641
2	50001	55000	106,366
2	55001	60000	116,259
3	60001	65000	188,681
1	65001	70000	68,072
2	70001	75000	145,296
1	105001	110000	109,862
1	145001	150000	150,000
1	155001	160000	159,000
1	210001	215000	211,492
1	275001	280000	280,000
1	925001	930000	929,500
1	2240001	2245000	2,244,338
1	42860001	42865000	42,861,453
1	140345001	140350000	140,348,999
3276			191,421,099

Categories of shareholders
as at June 30, 2020

Categories of Shareholders	Number	Shares held	Percentage
Directors, Chief Executive and their spouse and minor children			
Mr. Muhammad Sharif	1	1,067	0.00
Mr. Muhammad Zahid	1	159,491,108	83.32
Mr. Ahmad Zahid	1	23,719,344	12.39
Miss Mehreen Zahid	1	500	0.00
Mr. Sajjad Hussain Shah	1	499	0.00
Mr. Faisal Masood Afzal	1	1,060	0.00
Brig (R) Wali Muhammad	1	741	0.00
Associated Companies, undertakings and related parties			
	-	-	0.00
NIT AND ICP			
I.C.P	1	5,941	0.00
Banks, Development Financial Institutions, Non Banking Financial Institutions			
	-	-	0.00
Insurance Companies			
	-	-	0.00
Modarabas and Mutual Funds			
	-	-	0.00
Joint Stock Companies			
	8	2,248,395	1.17
Ind. / General Public			
a. Local	3,260	5,952,444	3.11
b. Foregin	-	-	-
Total	3,276	191,421,099	100.00
Shareholders holding 5% (or more)			
	2	183,210,452	95.71

INDEPENDENT AUDITOR'S REPORT

To the members of Zahidjee Textile Mills Limited

Report on the audit of consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of Zahidjee Textile Mills Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June, 2020 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

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

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**RSMVAISHYDERLIAQUATNAUMAN
CHARTERED ACCOUNTANTS**

Place: Faisalabad

Date: October 6, 2020

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	4	7,178,010,588	6,649,166,582
Intangible assets	5	330,203	1,122,691
Investment Property	6	94,917,829	99,913,504
Long term security deposits		4,476,224	4,476,224
		<u>7,277,734,844</u>	<u>6,754,679,001</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	155,356,386	154,006,894
Stock in trade	8	2,926,873,525	2,604,242,302
Trade debts	9	1,729,035,469	1,231,079,982
Loans, advances and deposit	10	252,004,445	94,009,913
Prepayments		187,967	31,027,305
Other receivables	11	83,817,550	70,511,336
Short term investment	12	56,790,569	72,984,572
Tax refunds due from Government	13	181,811,574	361,739,764
Cash and bank balances	14	68,852,324	83,907,182
		<u>5,454,729,809</u>	<u>4,703,509,250</u>
CURRENT LIABILITIES			
Trade and other payables	15	888,820,253	404,845,352
Interest / mark up payable	16	59,198,537	82,218,408
Short term borrowings	17	2,997,917,815	3,232,569,584
Unclaimed dividend		1,204,621	1,204,621
Current portion of long term finance	18	210,628,546	187,575,041
Provision for taxation - income tax	32	196,728,764	155,346,335
		<u>4,354,498,536</u>	<u>4,063,759,341</u>
		<u>8,377,966,117</u>	<u>7,394,428,910</u>
NON - CURRENT LIABILITIES			
Long term finance	18	1,137,357,078	790,419,327
Deferred liability			
Deferred taxation	19	481,265,653	394,642,812
		<u>1,618,622,731</u>	<u>1,185,062,139</u>
CONTINGENCIES AND COMMITMENTS			
Net worth	20	-	-
		<u>6,759,343,386</u>	<u>6,209,366,771</u>
Represented by :			
Share capital	21	1,914,210,990	1,914,210,990
Capital reserves			
Merger reserve		366,258,513	366,258,513
Surplus on revaluation of property, plant and equipment	22	1,157,269,154	1,228,748,321
Revenue reserves	23	3,024,295,953	2,401,711,406
		<u>6,462,034,610</u>	<u>5,910,929,230</u>
Non-controlling interest		297,308,776	298,437,541
		<u>6,759,343,386</u>	<u>6,209,366,771</u>

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales	24	13,902,386,903	13,444,689,298
Cost of sales	25	12,225,561,762	11,982,985,770
Gross profit		<u>1,676,825,141</u>	<u>1,461,703,528</u>
Trading profit	26	(534,299)	74,353
Other income	27	18,744,535	8,719,713
		<u>1,695,035,377</u>	<u>1,470,497,594</u>
Distribution cost	28	155,953,266	119,098,299
Administrative expenses	29	127,394,846	132,134,628
Other operating expenses	30	90,233,728	86,994,130
Finance cost	31	329,329,077	388,569,000
		<u>702,910,917</u>	<u>726,796,057</u>
Profit before taxation		992,124,460	743,701,537
Provision for taxation	32	297,180,851	(36,377,043)
Profit for the year		<u><u>694,943,609</u></u>	<u><u>780,078,580</u></u>
Attributable to:			
Shareholders of the Parent		696,072,374	780,799,317
Non-controlling interest		(1,128,765)	(720,737)
		<u><u>694,943,609</u></u>	<u><u>780,078,580</u></u>
Earnings per share - Basic and diluted			
Attributable to the shareholders of the Parent	33	<u><u>3.64</u></u>	<u><u>4.08</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
Profit for the year	694,943,609	780,078,580
Items that will not be subsequently reclassified to profit or loss :		
Incremental depreciation on revalued assets for the year - net of deferred tax	69,356,766	79,276,749
Related deferred tax	19,863,340	22,399,736
	89,220,106	101,676,485
Surplus realised on disposal of property, plant and equipment - net of deferred tax	-	15,150,420
Related deferred tax	-	4,856,325
	-	20,006,745
Total comprehensive income for the year	784,163,715	901,761,810
Attributable to:		
Shareholders of the Parent	785,292,480	902,482,547
Non-controlling interest	(1,128,765)	(720,737)
	784,163,715	901,761,810

The annexed notes 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR JUNE 30, 2020**

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	CAPITAL RESERVE			REVENUE RESERVES			Total	Non-Controlling interest
		Merger reserve	Surplus on revaluation of property, plant and equipment	Sub total	General reserve	Unappropriated profit	Sub total		
R u p e e s									
Balance as at July 01, 2018	1,914,210,990	366,258,513	1,321,453,916	1,687,712,429	300,000,000	1,266,226,244	1,566,226,244	5,168,149,663	299,158,278
Transaction with owners									
Dividend paid (Rs. 0.35 per share of Rs. 10 each)	-	-	-	-	-	(66,997,385)	(66,997,385)	(66,997,385)	-
Total comprehensive income for the year									
Profit / (loss) for the year	-	-	-	-	-	780,799,317	780,799,317	780,799,317	(720,737)
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss :									
Incremental depreciation on revalued assets for the year	-	-	(101,676,485)	(101,676,485)	-	79,276,749	79,276,749	(22,399,736)	-
Related deferred tax	-	-	22,399,736	22,399,736	-	22,399,736	22,399,736	44,799,472	-
Surplus realised on disposal of property, plant and equipment	-	-	(20,006,745)	(20,006,745)	-	15,150,420	15,150,420	(4,856,325)	-
Related deferred tax	-	-	4,856,325	4,856,325	-	4,856,325	4,856,325	9,712,650	-
	-	-	(94,427,169)	(94,427,169)	-	121,683,230	121,683,230	27,256,061	-
Adjustment of deferred tax for the year	-	-	1,721,574	1,721,574	-	-	-	1,721,574	-
Balance as at June 30, 2019	1,914,210,990	366,258,513	1,228,748,321	1,595,006,834	300,000,000	2,101,711,406	2,401,711,406	5,910,929,230	298,437,541
Transaction with owners									
Dividend paid (Rs. 0.85 per share of Rs. 10 each)	-	-	-	-	-	(162,707,933)	(162,707,933)	(162,707,933)	-
Total comprehensive income for the year									
Profit / (loss) for the year	-	-	-	-	-	696,072,374	696,072,374	696,072,374	(1,128,765)
Other comprehensive income									
Items that will not be subsequently reclassified to profit or loss :									
Incremental depreciation on revalued assets for the year	-	-	(89,220,106)	(89,220,106)	-	69,356,766	69,356,766	(19,863,340)	-
Related deferred tax	-	-	19,863,340	19,863,340	-	19,863,340	19,863,340	39,726,680	-
	-	-	(69,356,766)	(69,356,766)	-	89,220,106	89,220,106	19,863,340	-
Adjustment of deferred tax for the year	-	-	(2,122,401)	(2,122,401)	-	-	-	(2,122,401)	-
Balance as at June 30, 2020	1,914,210,990	366,258,513	1,157,269,154	1,523,527,667	300,000,000	2,724,295,953	3,024,295,953	6,462,034,610	297,308,776

Note - 22

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

**ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	992,124,460	743,701,537
Adjustment for:		
Depreciation of property, plant and equipment	518,716,824	543,208,171
Depreciation of investment property	4,995,675	4,008,730
Amortisation of intangible assets	792,488	845,821
Profit on deposits	(1,447,843)	(133,021)
Dividend income	(8,154,612)	(4,045,708)
Net loss on disposal of operating assets	(4,498,944)	32,334,831
Balances written back	(372,552)	(134,614)
Provision for doubtful debts	-	7,952,217
Adjustment in fair value	16,591,448	14,706,149
Finance cost	329,329,077	388,569,000
Operating cash flows before working capital changes	1,848,076,021	1,731,013,113
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(1,349,492)	(40,122,686)
Stock in trade	(322,631,223)	382,810,822
Trade debts	(497,955,487)	(267,257,685)
Loans, advances and deposit	(22,725,103)	60,347,365
Prepayments	30,839,338	(29,631,916)
Other receivables	(13,306,214)	32,634,509
Tax refunds due from Government	83,122,879	37,259,103
Increase / (Decrease) in current liabilities		
Trade and other payables	484,347,453	(377,801,965)
	(259,657,849)	(201,762,453)
Cash generated from operating activities	1,588,418,172	1,529,250,660
Finance cost paid	(352,348,948)	(361,119,915)
Income tax paid	(189,898,760)	(62,115,165)
Net cash generated from operating activities	1,046,170,464	1,106,015,580

	2020 Rupees	2019 Rupees
(b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Property, plant and equipment	(1,055,075,758)	(460,836,704)
Proceeds from disposal of operating assets	12,013,872	5,745,400
Addition in short term investment	(397,445)	-
Profit on deposits	1,447,843	133,021
Dividend received	8,154,612	4,045,708
Long term security deposit	-	(26,082)
Net cash (used in) investing activities	<u>(1,033,856,876)</u>	<u>(450,938,656)</u>
(c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	708,370,932	74,019,750
Repayment of long term finance	(338,379,676)	(219,315,345)
(Decrease) in short term borrowings - net	(234,651,769)	(383,244,542)
Dividend paid	(162,707,933)	(66,997,385)
Unclaimed dividend paid	-	(558,388)
Net cash (used in) financing activities	<u>(27,368,446)</u>	<u>(596,095,910)</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(15,054,858)	58,981,014
Cash and cash equivalents at the beginning of the year	83,907,182	24,926,168
Cash and cash equivalents at the end of the year	<u><u>68,852,324</u></u>	<u><u>83,907,182</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

ZAHIDJEE TEXTILE MILLS LIMITED AND ITS SUBSIDIARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. GENERAL INFORMATION

- 1.1 The Group consists of Zahidjee Textile Mills Limited (the Parent) and Zahidjee Towers (Private) Limited (the Subsidiary).
- 1.2 The Parent is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 2017). The registered office of the Company is situated at 2-H, Jail Road, Gulberg II, Lahore in the province of Punjab. The Company is listed on Pakistan Stock Exchange Limited. The principal business of the Company is export of all kinds of value added fabrics and textile made-ups. The Company is also engaged in the business of manufacturing and sale of yarn. The weaving unit is located at 32-KM, Tandlianwala Road, Satyana, District Faisalabad and spinning units are located at 32-KM, Sheikhpura Road, Faisalabad and M-3 Industrial Estate, Faisalabad, in the province of Punjab.

The Subsidiary is incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (Repealed with the enactment of Companies Act 2017 on May 30, 2017). The principal objective of subsidiary is to provide all kinds of services related to the business of Hotels, Restaurants, Resorts, Motels. Registered office of the subsidiary is situated at 20 Bilal Road, Civil Lines, Faisalabad in the province of Punjab.

- 1.3 The financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

2. BASIS OF CONSOLIDATION

The financial statements of the Parent and Subsidiary are combined on a line by line basis. The financial statements of the Subsidiary are consolidated from the date on which more than 50% voting rights are transferred to or power to control the Subsidiary is established and are excluded from consolidation from the date of disposal or reduction of control.

All intra-Group balances, transactions and resulting unrealised profits, if any, are eliminated.

Non-controlling interest is that part of the net results of the operations and net assets of the Subsidiary attributable to interest which are not owned by the Parent.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS's the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

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

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Group for the periods beginning on or after July 01, 2019 and therefore, have been applied in preparing these financial statements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of amendments has no material impact on the financial statements of the Group.

- Amendments to IAS 19 Employee Benefits on plan amendment, curtailment or settlement,

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 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 change in the effect of the asset ceiling that may result from the plan amendment is determined in a second step and is recognised in the normal manner in other comprehensive income.

The standard requires to use updated assumptions from re-measurement to determine current service cash and net interest from the remainder of the reporting period after the change in the plan.

The application of amendments has no material impact on the financial statements of the Group.

- IFRIC 23 Uncertainty over Income Tax Treatments:

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, determine accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, reflect the effect of uncertainty in determining accounting tax position using either the most likely amount or the expected value method.

The application of IFRIC has no material impact on the financial statements of the Group.

- Amendments to IAS 28: Investments in Associates and Joint Ventures.

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied.

These include long-term interests that in substance, form part of the entity's net investment in an associate or joint venture. The amendment is not expected to have any material impact on the financial statements of the Group.

- Annual improvements to IFRS – Standard 2015-2017 Cycle

The Annual Improvements include amendments to the following Standards:

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation. The entity is required to apply the requirements for a business combination achieved in stages, including re-measuring previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognized assets, liabilities and good will relating to joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not measure its previously held interest in the joint operation.

The application of amendments has no material impact on the financial statements of the Group.

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

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Group beginning on or after July 01, 2019 but are considered not to be relevant to the Group's operations and are, therefore, not disclosed in these financial statements.

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

There are certain standards, amendments to the IFRS's and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore, not detailed in these financial statements, except for the following:

- Amendments to IAS 1 and IAS 8 - Definition of Material IFRS 16 Leases

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

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

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

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

The amendments are effective for accounting period beginning on or after 1 January, 2020.

The application of amendments is not expected to have a significant impact on the Group's financial statements.

- Amendments to IFRS 3 - Definition of a Business

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

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

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

The amendments are applicable to transactions that are either business combinations or asset acquisitions. The amendments are effective for reporting periods beginning on or after 1 January 2020.

The application of amendments is not expected to have any effect on the Group's financial statements.

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

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

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments are effective for reporting periods starting on or after 01 January 2020.

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

- IFRS 17 Insurance Contracts

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

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

The standard is effective for reporting periods starting on or after 1 January 2023.

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

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

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

The amendments are effective for accounting periods beginning on or after 1 January 2020.

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

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

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

3.3 Basis of preparation

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

- Certain property, plant and equipment carried at valuation.
- Short term investments measured at fair value.

3.4 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost / valuation less accumulated depreciation and impairment in value, if any. Freehold land and capital work in progress are stated at valuation, cost less accumulated impairment in value, if any.

Depreciation is charged to income applying the reducing balance method at the rates specified in property, plant and equipment note 4.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. In respect of additions and disposals during the period, depreciation is charged from the month of acquisition or capitalisation and upto the month preceding the disposal respectively.

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

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

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Capital work-in-progress is stated at cost less accumulated depreciation and impairment in value, if any.

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

Any revaluation increase arising on freehold land, building on freehold land and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land, building on freehold land and plant and machinery improvements is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Group's shareholders. The surplus on revaluation of building on freehold land and plant and machinery improvements to the extent of incremental depreciation charged is transferred to unappropriated profit.

3.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets are amortised over a period of five years using straight line method.

Amortisation on additions during the year is charged from the month in which an asset is acquired or capitalised.

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

3.6 Investment property

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

Depreciation on investment property is charged to income on reducing balance method at the rate of 5% per annum. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.

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

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

3.7 Investments

Investments are initially recognised / derecognised on trade date at cost being the fair value of consideration given including cash transaction. Trade date is the date that the Group commits to purchase or sell the investment. After initial recognition these are recognised and accounted for as follows:

Available for sale investments

Investment securities intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognised in equity, through statement of comprehensive income, under fair value reserve until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gain / loss on sale of investments is taken to income in the period in which it arises.

Investments at fair value through profit or loss

These are the investments which are classified as held for trading and are acquired principally for the purpose of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking. Investments designated at fair value through profit or loss upon initial recognition also include those group of investments which are managed and their performance evaluated on fair value basis in accordance with the Group's documented investment strategy.

After initial recognition, such investments are remeasured at fair value determined with reference to the year end quoted rates (equity shares and investments in units of closed end funds at respective stock exchange rates, while the units of open end funds at their declared net asset value per unit). Gains or losses on remeasurments of these investments are recognised in the profit and loss account.

3.8 Impairment

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

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

3.9 Borrowing costs

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

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

3.10 Stores, spares and loose tools

These are valued at moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

3.11 Stock in trade

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

Raw material	Weighted average cost except items in transit which are valued at cost accumulated upto the statement of financial position date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.

Wastes are valued at net realisable value.

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

3.12 Trade debts and other receivables

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

3.13 Cash and cash equivalents

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

3.14 Trade and other payables

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

3.15 Provisions

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

3.16 Provision for taxation

Current taxation

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available under the law.

Deferred taxation

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

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

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

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

3.17 Dividend and other appropriations

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

3.18 Foreign currency translation

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

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

3.19 Financial Instruments

3.19.1 Financial assets

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

- Financial assets at amortised cost

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

- Financial assets at fair value through other comprehensive income

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

- Financial assets at fair value through profit or loss

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

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

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

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

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

3.19.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

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

3.20 Offsetting of financial asset and financial liability

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Group has a legal enforceable right to offset the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.21 Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from conversion receipts is recognised when services are rendered.

Interest income is recognised on time proportionate basis.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Group's right to receive payment has been established except dividend from associate accounted for using equity method which is recognised as a reduction of the carrying value of investment when the Group's right to receive payment has been established.

3.22 Critical accounting estimates and judgments

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

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

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

	Note	2020 Rupees	2019 Rupees
4.2 Depreciation for the year has been allocated as under:			
Cost of sales	25.1	510,818,009	534,907,515
Administrative expenses	29	7,898,815	8,300,656
		<u>518,716,824</u>	<u>543,208,171</u>

4.3 Had there been no revaluation, the carrying values of freehold land, building on freehold land and plant and machinery at June 30, 2020 and 2019 would have been as follows:

	Carrying value	
	2020 Rupees	2019 Rupees
Freehold land	149,477,863	149,477,863
Building on freehold land	1,068,509,722	1,167,680,229
Plant and machinery	3,261,803,148	2,743,013,951
	<u>4,479,790,733</u>	<u>4,060,172,043</u>

4.4 The forced sale value of revalued freehold land, building on freehold land and plant and machinery is Rs. 3,860,421,372/-.

4.5 Detail of disposal of operating assets

2020						
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss)	Particulars of buyers
----- Rupees -----						
Factory equipment (by negotiation)	182,363	103,861	78,502	4,472	(74,030)	Haji Muhammad Iqbal, House No.45-D,Gulam Muhammad Abad FSD
	182,363	103,861	78,502	4,472	(74,030)	
Office Equipment (by negotiation)	9,000	5,287	3,713	400	(3,313)	Multi.com, 1st Floor, 2nd Gallary, Rexcity, FSD
	7,800	4,443	3,357	-	(3,357)	Multi.com, 1st Floor, 2nd Gallary, Rexcity, FSD
	16,800	9,730	7,070	400	(6,670)	
Electric appliances (by negotiation)	71,600	41,294	30,306	9,000	(21,306)	MS Engineering, Muhalla Sharif pura, Maqbool Road, FSD
	71,600	41,294	30,306	9,000	(21,306)	
Vehicles (by negotiation)	14,013,353	6,614,303	7,399,050	12,000,000	4,600,950	Khawar Shafique Ahmad, 2-Z Commercial Plaza, Near Mujahid Hospital, Madina Town, Faisalabad
	14,013,353	6,614,303	7,399,050	12,000,000	4,600,950	
	<u>14,284,116</u>	<u>6,769,188</u>	<u>7,514,928</u>	<u>12,013,872</u>	<u>4,498,944</u>	

2019						
Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(Loss)	Particulars of buyers
----- Rupees -----						
Plant and (by negotiation)	5,320,956	851,353	4,469,603	250,000	(4,219,603)	Al Afzal Traders Makoana main bazar jarranwala road FSD
	5,103,910	816,626	4,287,284	200,000	(4,087,284)	Akbar Ali Shop No # 231 Stadium road FSD
	394,978	54,309	340,669	225,000	(115,669)	Shaukat Basra office No. B-21 maqbool road FSD
	133,247	24,318	108,929	89,953	(18,976)	Al Huda Scrap dealer Nankana road Shahkot.
	1,469,222	268,133	1,201,089	1,119,319	(81,770)	Sahbbir and sons shadra market Mushtaq palaza ground floor Batti chowk Lahore
	167,778	30,619	137,158	122,148	(15,010)	AA Traders, Jinnah Colony, Faisalabad.
	32,346,821	6,145,896	26,200,925	3,600,000	(22,600,925)	Latif Choke House# 465 Ghulam Muhammad Abad Block A Faisalabad
	44,936,912	8,191,254	36,745,657	5,606,420	(31,139,238)	
Office Equipment (by negotiation)	107,014	74,588	32,426	18,580	(13,846)	Faisal Kabbar jalvi market FSD
	107,014	74,588	32,426	18,580	(13,846)	
Electric installations (by negotiation)	2,938,130	1,673,361	1,264,769	104,500	(1,160,269)	Asghar computer and accessories House Millat chowk hussaini market FSD
	2,938,130	1,673,361	1,264,769	104,500	(1,160,269)	
Electric appliances	35,500	14,344	21,156	8,900	(12,256)	Ali meer shop No.41 bholle di jughi Sargodha road nera larri adda. FSD
	32,132	15,910	16,223	7,000	(9,223)	Haji bashir AC fitter Nigheban pura main market. FSD
	67,632	30,254	37,379	15,900	(21,479)	
	48,049,688	9,969,457	38,080,230	5,745,400	(32,334,831)	

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

Location	Usage of immovable property	Total Area (in square foot)
a) 32-KM, Sheikhpura Road, Faisalabad.	Spinning unit and power house	660,752
b) 32-KM, Tandlianwala Road, Faisalabad.	Weaving unit	628,899
c) Raja Bolay, Tehsil Cantt, District Lahore.	Godown	1,971,094
d) Plot # 6, M-3 Industrial Estate, Faisalabad.	Spinning unit and power house	756,856
e) 20, Bilal Road, Civil Lines, Faisalabad.	Office	49,550
f) 20-B, Race Course Road, Civil Lines, Faisalabad.	Office	10,890
g) Small industrial Estate Road, Faisalabad.	Export house	11,707

4.7 Capital work in progress

	Civil work	Plant and machinery	Total
	-----Rupees-----		
Balance as at July 1, 2018	135,014,249	880,020	135,894,269
Additions	71,915,354	97,259,705	169,175,059
Transfer to operating assets	(615,000)	-	(615,000)
Balance as at June 30, 2019	206,314,603	98,139,725	304,454,328
Additions	163,572,832	698,277,786	861,850,618
Transfer to operating assets	(17,258,572)	(760,318,961)	(777,577,533)
Balance as at June 30, 2020	352,628,863	36,098,550	388,727,413

4.8 This represents investment on site for proposed hotel complex and land held for future expansion.

4.9 Particulars of immovable property (i.e. non- operating land) in the name of the Group are as follows:

Location	Usage of immovable property	Total Area (in square foot)
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In the name of Parent Company

a) Raja Bolay, Tehsil Cantt, District Lahore.	Land held for future expansion	69,404
b) Deve Khurd Kalan, Tehsil Model Town, District Lahore.	Land held for future expansion	14,974

In the name of Subsidiary Company

2-H Gulburg II, Jail Road, Lahore	For hotel complex	51,488
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Note	2020 Rupees	2019 Rupees
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5. Intangible assets

Computer software and license

Cost	11,164,402	11,164,402
Accumulated amortisation	(10,834,199)	(10,041,711)
Written down value	330,203	1,122,691

5.1 Reconciliation of written down value

Opening written down value		1,122,691	1,968,512
Amortisation for the year	29	(792,488)	(845,821)
Closing balance		330,203	1,122,691

5.1.1 Amortisation rate is 20% per annum.

6. Investment property

Land

Cost	23,938,150	23,938,150
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Building

Opening net book value as at July 01,	75,975,354	79,984,084
Depreciation charge	(4,995,675)	(4,008,730)
Closing net book value as at June 30,	70,979,679	75,975,354

Land and building closing balance as at June 30,

94,917,829	99,913,504
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Annual rate of depreciation (%)

5	5
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6.1 The fair value of investment property is Rs.108,560,000/-. The valuation is based on unobservable inputs which is Level 3 of fair value hierarchy.

6.2 Particulars of investment property in the name of the Subsidiary are as follows:

Location	Total Area (in square foot)
2-B/1 Block H Gulburg II, Jail Road, Lahore	7,775.48

7. Stores, spares and loose tools

	Note	2020 Rupees	2019 Rupees
Stores		69,805,364	78,900,974
Spares	7.1	85,266,040	74,775,194
Loose tools		284,982	330,726
		<u>155,356,386</u>	<u>154,006,894</u>

7.1 Stores and Spares include items that may result in fixed capital expenditure but are not distinguishable.

8. Stock in trade

	Note	2020 Rupees	2019 Rupees
Raw materials	8.1	2,189,259,633	2,264,422,626
Work in process		129,047,680	108,030,960
Finished goods	8.1	599,664,940	221,675,477
Waste		8,901,272	10,113,239
		<u>2,926,873,525</u>	<u>2,604,242,302</u>

8.1 Stock in trade amounting to Rs.2,116.17 million (2019: Rs. 2,006.89 million) was pledged as security with the banking companies.

9. Trade debts

	Note	2020 Rupees	2019 Rupees
Considered good			
Secured			
Foreign	9.1	72,606,237	65,720,240
Unsecured			
Foreign	9.1	348,644,054	323,752,504
Local		1,307,785,178	841,607,238
		1,656,429,232	1,165,359,742
Considered doubtful			
Unsecured			
Foreign	9.1	22,600,585	22,600,585
Less: Provision for doubtful debts		(22,600,585)	(22,600,585)
		-	-
Local		69,585,176	69,585,176
Less: Provision for doubtful debts		(69,585,176)	(69,585,176)
		-	-
		<u>1,729,035,469</u>	<u>1,231,079,982</u>

9.1 Following are the details of debtors in relation to export sales:

Jurisdiction	Category	2020 Rupees	2019 Rupees
Africa	Letter of credit	22,848,400	8,137,829
	Cash against documents	31,233,896	22,600,585
		54,082,296	30,738,414
Europe	Letter of credit	37,440,568	22,336,231
	Cash against documents	19,702,571	61,938,068
		57,143,139	84,274,299
North America	Letter of credit	12,317,269	-
	Cash against documents	276,641,200	60,801,081
		288,958,469	60,801,081
South America	Cash against documents	43,666,972	236,259,535
		<u>443,850,876</u>	<u>412,073,329</u>

10. Loans, advances and deposit

Considered good			
Advances			
Employees	2,774,116	2,611,289	
Suppliers	45,619,853	33,705,965	
For purchases and expenses	13,788,457	2,471,579	
Income tax	188,505,964	53,236,535	
Letters of credit fee and expenses	1,316,055	1,984,545	
	<u>252,004,445</u>	<u>94,009,913</u>	

11. Other receivables

Considered good			
Export rebate / duty drawback	80,432,062	65,966,728	
Other	3,385,488	4,544,608	
	<u>83,817,550</u>	<u>70,511,336</u>	

12. Short term investment

Financial assets at fair value through profit or loss			
Quoted securities			
Habib Metropolitan Bank Limited			
2,022,854 (2019: 2,022,854) Ordinary shares of Rs.10/- each	72,984,572	87,690,721	
JS Bank Limited			
1,00,000 (2019: Nil) Ordinary shares of Rs.10/- each	397,445	-	
	<u>73,382,017</u>	<u>87,690,721</u>	
Adjustment in fair value - net	(16,591,448)	(14,706,149)	
	<u>56,790,569</u>	<u>72,984,572</u>	

12.1 The fair value of short term investment is based on prices quoted in active markets which is level 1 of fair value hierarchy.

	Note	2020 Rupees	2019 Rupees
13. Tax refunds due from Government			
Income tax		142,716,766	239,522,077
Sales tax		39,094,808	122,217,687
		<u>181,811,574</u>	<u>361,739,764</u>

14. Cash and bank balances

Cash in hand		5,533,061	7,956,270
Cash at banks			
In current accounts		53,319,624	75,509,723
In PLS accounts	14.1	9,999,639	441,189
		<u>68,852,324</u>	<u>83,907,182</u>

14.1 Effective profit rate in respect of PLS accounts was 3.25% to 12.85% per annum (2019 : 4.5% to 10.25% per annum).

	Note	2020 Rupees	2019 Rupees
15. Trade and other payables			
Creditors		466,075,552	182,462,294
Accrued liabilities		168,294,604	139,810,373
Advance from customers		41,227,508	20,805,281
Payable to provident fund		6,384,138	7,615,773
Workers' profit participation fund	15.1	53,363,971	39,953,150
Workers' welfare fund		20,278,309	-
Security deposit payable		907,500	-
Withholding taxes		39,249,999	14,198,481
Sales tax payable		93,038,672	-
		<u>888,820,253</u>	<u>404,845,352</u>

15.1 Workers' profit participation fund

Opening balance		39,953,150	30,229,939
Interest on funds utilised in the Parent's business		3,893,626	2,509,748
		43,846,776	32,739,687
Paid to workers on behalf of the fund		(43,846,776)	(32,739,687)
		-	-
Allocation for the year		53,363,971	39,953,150
		<u>53,363,971</u>	<u>39,953,150</u>

16. Interest / mark up payable

Interest / mark up payable on:			
Short term borrowings		42,273,616	68,805,709
Long term finance		16,924,921	13,412,699
		<u>59,198,537</u>	<u>82,218,408</u>

	Note	2020 Rupees	2019 Rupees
17. Short term borrowings			
Secured			
From banking companies			
Export finances	17.2	471,000,000	849,950,000
Running finances	17.2	223,507,475	165,329,623
Cash finances	17.3	2,113,331,367	1,951,195,847
Un-secured			
From directors and associates	17.4	190,078,973	266,094,114
		<u>2,997,917,815</u>	<u>3,232,569,584</u>

17.1 The aggregate unavailed short term borrowing facilities available to the Parent are Rs. 3,875.66 million (2019 : Rs. 3,618.25 million).

17.2 These are secured against first joint parri passu charge and ranking charge over present and future current assets of the Parent, lien on export documents and by personal guarantee of directors of the Parent. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% to 1.25% per annum (2019: one month KIBOR plus 1% to 1.5% per annum, three months KIBOR plus 1% per annum) and SBP rate plus 1% per annum (2019: SBP rate plus 1% per annum).

The effective rate of mark up charged during the year ranges from 3.00% to 15.38% per annum (2019: 3.00% to 14.88% per annum).

17.3 These are secured against pledge of cotton, polyester, yarn and grey cloth of the Parent. These are further secured by personal guarantee of directors of the Parent. These are subject to mark up at the rates of one month KIBOR plus 1% to 1.5% per annum and three months KIBOR plus 1% per annum (2019: one month KIBOR plus 1% to 1.50% per annum and three months KIBOR plus 1% per annum).

The effective rate of mark up charged during the year ranges from 8.26% to 15.42% per annum (2019: 11.99% to 14.29%).

17.4 These are interest free and obtained for meeting working capital requirements of the Group.

	Note	2020 Rupees	2019 Rupees
18. Long term finance			
Secured			
From banking companies			
Under mark up arrangements			
Term finances	18.2	1,018,909,250	606,354,022
Demand finances	18.2	329,076,374	327,111,246
Diminishing Musharakah	18.2	-	44,529,100
		<u>1,347,985,624</u>	<u>977,994,368</u>
Less : Current portion			
Payable within one year		<u>(210,628,546)</u>	<u>(187,575,041)</u>
		<u>1,137,357,078</u>	<u>790,419,327</u>
18.1 Reconciliation of long term financing:			
Balance as at July 1, 2019		977,994,368	1,123,289,963
Obtained during the year		<u>708,370,932</u>	<u>74,019,750</u>
		1,686,365,300	1,197,309,713
Paid during the year		<u>(338,379,676)</u>	<u>(219,315,345)</u>
Balance as at June 30, 2020		<u>1,347,985,624</u>	<u>977,994,368</u>

18.2 The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments		Payment rests	Commencement date	Ending date	Markup rate
		Total Balance					
Term finances							
I	18,278,322	16	3	Quarterly	25-Jun-17	25-Mar-21	SBP Rate + 1.5% p.a
II	5,514,567	16	4	Quarterly	5-Aug-17	5-May-21	SBP Rate + 1.5% p.a
III	3,307,832	16	9	Quarterly	11-Oct-17	11-Jul-21	SBP Rate + 1.5% p.a
IV	22,037,563	16	6	Quarterly	13-Jan-18	13-Oct-21	SBP Rate + 1.5% p.a
V	31,731,000	16	6	Quarterly	27-Jan-18	27-Oct-21	SBP Rate + 1.5% p.a
VI	2,363,000	16	7	Quarterly	20-May-18	20-Feb-22	SBP Rate + 1.5% p.a
VII	21,319,027	36	32	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
VIII	3,390,580	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
IX	5,116,892	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
X	39,781,554	36	29	Quarterly	5-Dec-18	5-Sep-27	SBP Rate + 1% p.a
XI	18,559,196	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XII	3,227,858	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIII	85,669,223	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XIV	38,951,027	36	29	Quarterly	27-Dec-18	27-Sep-27	SBP Rate + 1% p.a
XV	47,369,168	36	30	Quarterly	6-Mar-19	6-Dec-27	SBP Rate + 1% p.a
XVI	39,578,036	36	30	Quarterly	7-Aug-19	7-May-28	SBP Rate + 1% p.a
XVII	9,078,944	36	34	Quarterly	24-Jan-20	24-Oct-28	SBP Rate + 1% p.a
XVIII	21,777,000	36	34	Quarterly	24-Jan-20	24-Oct-28	SBP Rate + 1% p.a
XIX	34,438,222	36	34	Quarterly	14-Feb-20	14-Nov-28	SBP Rate + 1% p.a
XX	8,755,128	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXI	23,189,620	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXII	8,174,490	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXIII	112,119,150	36	36	Quarterly	14-Jan-20	13-Jan-23	SBP Rate + 1.5% p.a
XXIV	13,816,000	36	36	Quarterly	2-Jan-20	1-Jan-23	SBP Rate + 1.5% p.a
XXV	94,224,750	36	36	Quarterly	14-Jan-20	13-Jan-23	SBP Rate + 1.5% p.a
XXVI	24,854,421	24	24	Quarterly	14-Nov-19	14-Nov-26	SBP Rate+ 1.50% p.a
XXVII	275,096,250	24	24	Quarterly	22-Oct-19	22-Oct-26	SBP Rate + 2% p.a
XXVIII	3,119,808	36	33	Quarterly	1-Jul-19	18-Jun-28	SBP Rate + 2% p.a
XXIX	4,070,622	36	30	Quarterly	4-Dec-19	25-Nov-27	SBP Rate + 1.5% p.a
	1,018,909,250						
Demand Finances							
I	14,716,511	36	31	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
II	3,142,195	36	31	Quarterly	23-Apr-19	23-Jan-28	SBP Rate + 2.5% p.a
III	45,961,980	36	31	Quarterly	6-May-19	6-Feb-28	SBP Rate + 2.5% p.a
IV	11,270,850	36	31	Quarterly	27-May-19	27-Feb-28	SBP Rate + 2.5% p.a
V	6,498,044	36	32	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
VI	89,965,445	36	31	Quarterly	7-Apr-19	7-Jan-28	SBP Rate + 2.5% p.a
VII	3,166,670	36	30	Quarterly	1-Mar-19	5-Dec-27	SBP Rate + 2.5% p.a
VIII	5,359,172	36	30	Quarterly	12-Feb-19	12-Nov-27	SBP Rate + 2.5% p.a
IX	58,509,498	36	31	Quarterly	1-Apr-19	30-Jan-28	SBP Rate + 2.5% p.a
X	50,904,585	36	32	Quarterly	1-Jul-19	6-Mar-28	SBP Rate + 2.5% p.a
XI	39,581,424	36	32	Quarterly	12-Jul-19	12-Apr-28	SBP Rate + 2.5% p.a
	329,076,374						

The loans are secured against first joint parri passu charge and ranking charge over present and future fixed assets of the Parent. It is further secured by the personal guarantee of directors of the Parent. The aggregate unavailed facility available to the Parent is Rs. 359.01 million (2019: Rs. 238.53 million.)

Effective markup rates charged during the year ranges from 3.00% to 14.47% per annum (2019: 3.00% to 14.21%).

	2020 Rupees	2019 Rupees
19. Deferred taxation		
Opening balance	394,642,812	551,785,282
(Reversal) of deferred tax related to:		
Incremental depreciation on revalued assets	(19,863,340)	(22,399,736)
Surplus realised on disposal of revalued assets	-	(4,856,325)
Provision / (reversal) of deferred tax on surplus	2,122,401	(1,721,574)
Provided / (reversed) during the year	104,363,780	(128,164,835)
	<u>481,265,653</u>	<u>394,642,812</u>
19.1 It represents the following:		
Deferred tax liability:		
Difference between accounting and tax bases of assets	579,865,356	410,296,403
Deferred tax asset:		
Carry forward tax credits and losses	(98,599,703)	(15,653,591)
	<u>481,265,653</u>	<u>394,642,812</u>

20. CONTINGENCIES AND COMMITMENTS

Contingencies

Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
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Income tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed order and created demand of Rs. 46,673,768/- (2019: Rs. 46,673,768/-) in respect of tax year 2015. Currently appeals against this order are pending before Commissioner (Appeals) Lahore. Further, The Assessing Officer has passed order u/s 122 for Tax Year 2016, 2017 and 2018 vide orders dated 20-2-2020 resultantly creating excess tax liability of Rs.140,905,114/-. This liability was adjusted by reducing refund of Rs.59,911,020/- , Rs.78,111,299/- and Rs.2,882,995/- relating to Tax Year 2016, 2017 and 2018. The Parent has filed appeal against these orders before the Commissioner Inland Revenue Appeals II, Lahore The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	April 06, 2017 March 17, 2020
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Sales tax

Commissioner Inland Revenue (Appeals)	The assessing officer of Inland Revenue passed orders in respect of tax period July-2011 to June-2016, November-2013 and July-2011 to April-2012 and created demand of Rs. 9,405,301/- (2019: Rs. 9,405,301/-), Rs. 439,654/- (2019: Rs. 439,654/-) and Rs. 232.667/- (2019: Rs. 232.667/-) respectively. Currently the cases are pending for adjudication before Commissioner Inland Revenue (Appeals). The management of Parent, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.	Company vs. Federal Board of Revenue	June 10, 2015 June 30, 2017 November 10, 2017 June 14, 2018
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Name of the court, agency or authority	Description of the factual basis of the proceeding and relief sought	Principal parties	Date instituted
Assistant Commissioner Inland Revenue	<p>The Assistant Commissioner Inland Revenue passed order and created demand against the Parent in respect of tax period April-2017 to Novemembr-2018 of Rs. 41,943,769/- in respect of evading sales tax and Rs.5,403,873/- in respect of evading further tax. Besides, penalty amounting to Rs.41,943,769 is also imposed. The Commissioner inland revenue order to deposit the amount into Government exchequer under 11(3) of the Sales Tax Act 1990 along with default surcharge (to be calculated at the time of deposit) under section 34(1)(a) of the Sales Tax Act, 1990. Subsequently the appeal is filed before Commissioner Inland Revenue (Appeals). Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Federal Board of Revenue	February 17, 2020
Appellate Tribunal Inland Revenue	<p>The assessing officer of Inland Revenue passed orders in original in respect of tax periods from August-2013 to July-2015 and July-2010 to June-2011 and created demand of Rs. 8,806,053/- (2019: Rs. 8,806,053/-). Being aggrieved by the orders the Parent filed appeals before the CIR(A) against the ONOs. The CIR(A) partially set aside the demand of Rs. 1,545,923/- (2019: Rs. 1,545,923/-) and disposed off the appeals. The Parent filed the appeals before ATIR for the remaining demand. Currently the case is pending for adjudication before ATIR. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Federal Board of Revenue	March 22, 2014 August 22, 2016
Other			
Appellate Tribunal Lahore	<p>The Director Social Security issued an order based on reassessment of number of employees and demanded Rs. 4,192,808/- (2019: Rs. 4,192,808/-) contribution regarding prior years. Currently the case is pending for adjudication before Appellate Tribunal Lahore. The management, based on opinion of its legal advisor believes that there is reasonable probability that the matter will be decided in favour of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Director Social Security	October 25, 2016
Custom Appellate Tribunal. Lahore	<p>The custom officer of Excise and Customs department passed order against the Parent in respect of year ended June 30, 2019 and created demand of Rs. 7,997,509 which includes penalty of Rs. 100,000/- and default surcharge of Rs. 25,000/- (2019: Rs.7,997,509/- which includes penalty of Rs. 100,000/- and default surcharge of Rs. 25,000/-). Currently the case is pending for adjudication before Custom Appellate Tribunal Lahore. The management, based on opinion of its tax consultant believes that there is reasonable probability that the matter will be decided in favour of the Parent. Pending the outcome of the matter, no provision has been made in these financial statements.</p>	Company vs. Assistant collector (DTRE) MCC. Faisalabad	June 26, 2018

	2020 Rupees	2019 Rupees
Bank guarantees issued in favour of :		
Sui Northern Gas Pipelines Limited for supply of gas.	98,955,000	86,820,000
Faisalabad Electric Supply Company Limited for supply of electricity.	21,342,760	21,342,760
Indemnity bonds issued in favour of collector of customs / sales tax, Faisalabad to avail exemption of sales tax and custom duty on imported raw material / machinery.	402,418,776	242,878,245

Commitments

Under letters of credit for:		
Plant and machinery	7,562,277	510,988,862
Raw material and spare parts	378,250,710	180,017,589
Under contracts for purchase of land	38,961,044	143,583,466
Under contracts for civil work	90,700,872	-

21. Share capital

21.1 Authorised capital

2020 Number of shares	2019 Number of shares		2020 Rupees	2019 Rupees
<u>220,000,000</u>	<u>220,000,000</u>	Ordinary shares of Rs. 10/- each.	<u>2,200,000,000</u>	<u>2,200,000,000</u>

21.2 Issued, subscribed and paid up capital

2020 Number of shares	2019 Number of shares		2020 Rupees	2019 Rupees
89,462,580	89,462,580	Ordinary shares of Rs. 10/- each fully paid in cash.	894,625,800	894,625,800
23,041,604	23,041,604	Ordinary shares of Rs.10/- each issued as fully paid shares as per scheme of arrangement for amalgamation sanctioned by the Court.	230,416,040	230,416,040
78,916,915	78,916,915	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	789,169,150	789,169,150
<u>191,421,099</u>	<u>191,421,099</u>		<u>1,914,210,990</u>	<u>1,914,210,990</u>

	2020 Rupees	2019 Rupees
22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Surplus on revaluation of property, plant and equipment at the beginning of the year	1,425,497,257	1,547,180,487
Transferred to unappropriated profit in respect of :		
Incremental depreciation	(89,220,106)	(101,676,485)
Surplus realised on disposal	-	(20,006,745)
	<u>(89,220,106)</u>	<u>(121,683,230)</u>
Surplus on revaluation of property, plant and equipment as at June 30,	1,336,277,151	1,425,497,257
Related deferred tax liability on:		
Revaluation at the beginning of the year	196,748,936	225,726,571
Deferred tax relating to:		
Incremental depreciation	(19,863,340)	(22,399,736)
Surplus realised on disposal	-	(4,856,325)
Deferred tax provided / reversed during the year	2,122,401	(1,721,574)
	<u>179,007,997</u>	<u>196,748,936</u>
	<u><u>1,157,269,154</u></u>	<u><u>1,228,748,321</u></u>

22.1 Latest revaluation of freehold land, building on freehold land and plant and machinery was carried out by independent valuers M/S Joseph Lobo (Pvt) Limited as at June 30, 2017. Freehold land, building on freehold land and plant and machinery were revalued on market value basis. The valuation is based on unobservable inputs which is Level 3 of fair value hierarchy.

	Note	2020 Rupees	2019 Rupees
23. Revenue reserves			
General reserves	23.1	300,000,000	300,000,000
Unappropriated profit		2,724,295,953	2,105,446,506
		<u>3,024,295,953</u>	<u>2,405,446,506</u>

23.1 These reserves are available for distribution to shareholders.

24. Sales

Export			
Cloth / made ups	24.1	2,729,142,323	2,341,893,792
Indirect export - Yarn		60,737,933	-
		<u>2,789,880,256</u>	<u>2,341,893,792</u>
Local			
Yarn		10,472,013,173	10,733,368,372
Cloth		115,672,362	12,040,679
Waste and left over		511,356,748	403,298,738
Conversion receipts		32,086,139	20,483,012
		<u>11,131,128,422</u>	<u>11,169,190,801</u>
		13,921,008,678	13,511,084,593
Add: Export rebate / duty drawback		91,855,313	25,323,420
		<u>14,012,863,991</u>	<u>13,536,408,013</u>
Less: Commission and claims		110,477,088	91,718,715
		<u><u>13,902,386,903</u></u>	<u><u>13,444,689,298</u></u>

24.1 It includes exchange gain of Rs. 18,648,878/- (2019: Rs. 92,672,483/-).

	Note	2020 Rupees	2019 Rupees
25. Cost of sales			
Cost of goods manufactured	25.1	12,602,339,258	11,991,206,135
Finished goods			
Opening stock		231,788,716	223,568,351
Closing stock		(608,566,212)	(231,788,716)
		(376,777,496)	(8,220,365)
		<u>12,225,561,762</u>	<u>11,982,985,770</u>
25.1 Cost of goods manufactured			
Raw material consumed	25.1.1	9,930,641,999	9,393,527,071
Packing material consumed		123,787,183	124,689,140
Salaries, wages and benefits		718,520,181	684,141,205
Retirement benefits		27,706,799	25,127,754
Stores and spares consumed		290,760,658	350,762,370
Fuel and power		977,506,773	859,240,403
Repairs and maintenance		23,755,624	21,861,435
Insurance		14,333,316	15,057,981
Depreciation	4.2	510,818,009	534,907,515
Other		5,525,436	5,823,083
		<u>12,623,355,978</u>	<u>12,015,137,957</u>
Work in process			
Opening stock		108,030,960	84,099,138
Closing stock		(129,047,680)	(108,030,960)
		(21,016,720)	(23,931,822)
		<u>12,602,339,258</u>	<u>11,991,206,135</u>
25.1.1 Raw material consumed			
Opening stock		2,264,422,626	2,481,314,014
Purchases including purchase expenses		9,855,479,006	9,176,635,683
		<u>12,119,901,632</u>	<u>11,657,949,697</u>
Closing stock		(2,189,259,633)	(2,264,422,626)
		<u>9,930,641,999</u>	<u>9,393,527,071</u>
26. Trading (loss) / profit			
Sale of cotton / polyester		35,492,754	34,218,744
Cost of sales		36,027,053	34,144,391
		<u>(534,299)</u>	<u>74,353</u>
27. Other income			
Income from financial assets:			
Profit on deposits		1,447,843	133,021
Dividend		8,154,612	4,045,708
Income from assets other than financial assets:			
Rental income		4,270,584	3,882,349
Gain on disposal of operating assets		4,498,944	-
Scrap sales		-	524,021
Balances written back		372,552	134,614
		<u>18,744,535</u>	<u>8,719,713</u>

	Note	2020 Rupees	2019 Rupees
28. Distribution cost			
Ocean freight		107,131,433	74,077,840
Local freight		20,635,129	17,834,694
Clearing and forwarding		20,062,722	17,285,368
Export development surcharge		6,294,399	5,146,171
Insurance		593,302	652,404
Other		1,236,281	4,101,822
		<u>155,953,266</u>	<u>119,098,299</u>

29. Administrative expenses

Director's remuneration		6,800,000	5,865,000
Staff salaries and benefits		49,718,849	58,431,380
Retirement benefits		3,505,163	3,598,416
Postage and telecommunication		3,623,590	3,258,992
Vehicles running and maintenance		14,461,435	13,196,136
Travelling and conveyance		7,008,001	1,716,491
Printing and stationery		1,174,269	1,333,125
Electricity and gas		3,244,225	3,137,418
Fees, subscriptions and periodicals		5,438,183	5,211,922
Advertisement		74,100	128,648
Insurance		1,992,322	686,754
Auditors' remuneration	29.1	1,665,750	1,651,750
Legal and professional		6,516,114	2,835,818
Rent, rates and taxes		825,395	635,637
Entertainment		2,151,225	1,742,214
Provision for doubtful debts		-	7,952,217
Depreciation on operating assets	4.2	7,898,815	8,300,656
Depreciation on investment property		4,995,675	4,008,730
Amortisation of intangible assets	5.1	792,488	845,821
Other		5,509,247	7,597,503
		<u>127,394,846</u>	<u>132,134,628</u>

29.1 Auditors' remuneration

Audit fee		1,250,000	1,236,000
Fee for the review of half yearly financial information		300,000	300,000
Other Certifications		15,750	15,750
Out of pocket expenses		100,000	100,000
		<u>1,665,750</u>	<u>1,651,750</u>

30. Other operating expenses

Workers' profit participation fund		53,363,971	39,953,150
Workers' welfare fund		20,278,309	-
Loss on disposal of property, plant and equipment		-	32,334,831
Adjustment in fair value of short term investment - net		16,591,448	14,706,149
		<u>90,233,728</u>	<u>86,994,130</u>

2020
Rupees

2019
Rupees

31. Finance cost

Interest / mark up on:		
Long term finance	52,755,196	48,458,036
Short term borrowings	263,693,354	327,938,428
Workers' profit participation fund	3,893,626	2,509,748
Bank charges and commission	8,986,901	9,662,788
	<u>329,329,077</u>	<u>388,569,000</u>

32. Provision for taxation

Current		
for the year	196,728,764	155,346,335
for prior year	(3,911,693)	(63,558,543)
Deferred	104,363,780	(128,164,835)
	<u>297,180,851</u>	<u>(36,377,043)</u>

32.1 Relationship between tax expense and accounting profit

Reconciliation between accounting profit and tax expense has not been presented in these financial statements as income of the Parent Company is subject to minimum tax and final tax under Section 113 and 154 of the Income Tax Ordinance, 2001. The rental income of the Subsidiary is subject to tax under separate block of income .

2020

2019

33. Earnings per share - Basic and diluted

Profit for the year attributable to shareholders of the Parent (Rupees)	<u>696,072,374</u>	<u>780,799,317</u>
Weighted average number of ordinary shares outstanding during the year	<u>191,421,099</u>	<u>191,421,099</u>
Earnings per share - Basic and diluted (Rupees)	<u>3.64</u>	<u>4.08</u>

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

34. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

	2020			2019		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	2,816,000	1,536,000	21,138,240	2,752,000	1,001,600	19,000,320
House rent allowance	1,267,200	691,200	9,512,208	1,238,400	450,720	8,550,144
Medical allowance	281,600	153,600	2,113,824	275,200	100,160	1,900,032
Utilities allowance	35,200	19,200	264,228	34,400	12,520	237,504
	<u>4,400,000</u>	<u>2,400,000</u>	<u>33,028,500</u>	<u>4,300,000</u>	<u>1,565,000</u>	<u>29,688,000</u>
Number of persons	1	1	13	1	1	11

34.1 Chief Executive Officer is entitled to free use of the Parent Company's maintained vehicle. The monetary value of running and maintenance is Rs. 3,125,044/- (2019: Rs. 2,926,084/-). The Directors have waived off their meeting fee.

35. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Group in the normal course of business carries out transactions with various related parties which comprise of associated undertakings, key management personnel and provident fund. Amounts due to related parties are shown under the relevant notes to the financial statements. Remuneration to Chief Executive Officer, Director and Executives of the Parent is disclosed in Note 34. Other significant transactions with related parties are as follow:

Name of the related party	Relationship and Percentage	Transactions during the year	2020	2019
			Rupees	Rupees
Muhammad Zahid	Director	Loan obtained	33,000,000	152,792,000
		Loan repaid	109,015,141	8,005,918
Zahidjee Textile Mills Limited Staff Provident Fund Trust	Other related party	Contribution for the year	31,211,962	28,726,170

36. DISCLOSURE WITH REGARD TO PROVIDENT FUND

		2020	2019
Size of the fund	(Rupees)	135,475,663	108,461,295
Cost of investment made	(Rupees)	119,500,000	95,000,000
Percentage of investment made	(Percentage)	88.21%	87.59%
Fair value of investment	(Rupees)	119,500,000	95,000,000

36.1 These figures are based on the un-audited financial statements of the provident fund.

37. NUMBER OF EMPLOYEES

	2020	2019
Total number of employees as at June 30	1846	2005
Average number of employees during the year	1893	2014

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2020	2019
Spinning		
Number of spindles installed	93,024	93,024
Number of spindles worked	93,024	93,024
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count (Kgs)	41,072,983	38,020,617
Actual production of yarn 27,522,588 Kgs (2019: 26,765,249 Kgs) after conversion into 20/s count (Kgs)	38,376,019	34,290,567
Weaving		
Number of looms installed	280	280
Number of looms worked	280	280
Number of shifts per day	3	3
Annual production capacity converted into 60 picks (Square Meters)	42,536,384	42,536,384
Actual production converted into 60 picks (Square Meters)	34,500,950	34,031,554

38.1 Reasons for shortfall:

- It is difficult to determine precisely the production / rated capacity since it fluctuates widely depending on various factors such as speed, width and quality etc.
- The actual production is planned to meet the market demand.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2020 Rupees	2019 Rupees
39.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets at amortised cost:		
Long term deposits	4,476,224	4,476,224
Trade debts	1,729,035,469	1,231,079,982
Loans, advances and deposit	2,774,116	2,611,289
Other receivables	3,385,488	4,544,608
Cash and bank balances	68,852,324	83,907,182
	<u>1,808,523,621</u>	<u>1,326,619,285</u>
Financial asset at fair value:		
Short term investments	<u>56,790,569</u>	<u>72,984,572</u>
Financial liabilities at amortised cost:		
Trade and other payables	754,978,775	329,888,440
Interest / mark up payable	59,198,537	82,218,408
Short term borrowings	2,997,917,815	3,232,569,584
Unclaimed dividend	1,204,621	1,204,621
Long term finance	1,347,985,624	977,994,368
	<u>5,161,285,372</u>	<u>4,623,875,421</u>

39.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

39.2.1 Credit risk and concentration of credit risk

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

	2020 Rupees	2019 Rupees
Long term deposits	4,476,224	4,476,224
Trade debts	1,729,035,469	1,231,079,982
Loans, advances and deposit	2,774,116	2,611,289
Other receivables	3,385,488	4,544,608
Bank balances	63,319,263	75,950,912
	<u>1,802,990,560</u>	<u>1,318,663,015</u>

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

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

	2020 Rupees	2019 Rupees
Not past due	1,687,864,419	1,213,050,598
Past due	133,356,811	110,215,145
Less: Provision for doubtful debts	(92,185,761)	(92,185,761)
	<u>41,171,050</u>	<u>18,029,384</u>
	<u>1,729,035,469</u>	<u>1,231,079,982</u>

Appropriate provision has been made in respect of past due trade debts considered doubtful. The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating from international and local credit rating agencies.

39.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2020 and June 30, 2019.

	2020					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	-----Rupees in thousand-----					
Financial liabilities:						
Trade and other payables	640,754	640,754	640,754	-	-	-
Interest / mark up payable	59,199	59,199	59,199	-	-	-
Short term borrowings	2,997,918	3,127,958	3,127,958	-	-	-
Long term finance	1,347,986	1,576,488	116,270	148,085		449,236
	<u>5,045,857</u>	<u>5,404,399</u>	<u>3,944,181</u>	<u>148,085</u>	<u>-</u>	<u>449,236</u>
	2019					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	-----Rupees in thousand-----					
Financial liabilities:						
Trade and other payables	329,889	329,889	329,889	-	-	-
Interest / mark up payable	82,218	82,218	82,218	-	-	-
Short term borrowings	3,215,570	3,383,595	3,383,595	-	-	-
Long term finance	977,994	1,191,326	115,665	125,636	612,416	337,609
	<u>4,605,671</u>	<u>4,987,028</u>	<u>3,911,367</u>	<u>125,636</u>	<u>612,416</u>	<u>337,609</u>

The contractual cash flows relating to mark up have been determined on the basis of weighted average mark up rates on borrowings. The Group will manage the liquidity risk from its own source through working capital management. As at the year end, the Group has liquid assets of Rs. 2,133.27 million (2019: Rs. 1,855.26 million) and unavailed borrowing facilities of Rs. 3,875.66 million (2019: Rs.3,618.25 million).

39.2.3 Market risk

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

i) Interest rate risk

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

Majority of interest rate risk arises from borrowings from banks. The interest rate profile of the Group's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period.

Fair value sensitivity analysis for fixed rate instruments.

The Group has no fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

Had the interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, profit for the year and equity would have been lower / higher by Rs.42.61 million (2019: Rs. 36.49 million).

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Group is exposed to currency risk on foreign debtors. The total foreign currency risk exposure on reporting date amounted to Rs. 449.64 million (2019: Rs. 503.98 million).

At June 30, 2020, had the currency been weakened / strengthened by 5% against the U.S dollar and Euro, with all other variables held constant, profit for the year and equity would have been higher / lower by Rs.21.3 million (2019: Rs. 20.41 million).

iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. At the financial position date the Group is exposed to equity price risk in respect of short term investments. The total equity price risk exposure on reporting date amounted to Rs. 56.79 million (2019: Rs. 72.98 million).

At June 30, 2020, had the quoted securities prices been increased / decreased by 5%, with all other variables held constant, short term investments and equity would have been higher / lower by Rs. 2.84 (2019: Rs. 3.65 million).

39.3 Fair values of financial instruments

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

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

39.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of June 30, 2020 and 2019 were as follows:

	Note	2020 Rupees	2019 Rupees
Total Debt	17 & 18	4,345,903,439	4,210,563,952
Less: Cash and bank balances		68,852,324	83,907,182
Net Debt		<u>4,277,051,115</u>	<u>4,126,656,770</u>
Total equity		6,462,034,610	5,910,929,230
Total capital		<u>10,739,085,725</u>	<u>10,037,586,000</u>
Gearing ratio		39.83%	41.11%

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Group.

41. Impact of COVID-19 on the financial statements.

The pandemic of COVID-19 that has spread all over the world has adversely impacted the global economy. On March 23, 2020, the Government of Pakistan announced a temporary lock down as a measure to reduce the spread of COVID-19. Complying with the lockdown, the Parent temporarily suspended its operations from March 24, 2020. In the Parent's case, the lockdown was subsequently relaxed after implementing all the necessary Standard operating Procedures(SOPs) to ensure safety of employees, the Parent resumed its operations from April 04, 2020, and taken all necessary steps to ensure smooth running of its business. The management has evaluated and concluded that there are no material implications of COVID-19, that require specific disclosure in the financial statements.

42. GENERAL

42.1 Figures have been rounded off to the nearest Rupee except where mentioned rounding off in Rupees in thousands.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

FORM OF PROXY
31st ANNUAL GENERAL MEETING

I/We, _____ of _____, holding Computerized National Identity Card (CNIC)/Passport No. _____ and being a member of Zahidjee Textile Mills Limited, hereby appoint _____ of _____, holding CNIC/Passport No. _____, or failing him/her hereby appoint _____ of _____, holding CNIC/Passport No. _____, as my/our proxy to vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Company, to be held on the 27th day of October 2020 and at any adjournment thereof.

As witness my/our hand/seal this _____ day of _____, 2020

WITNESS:

1. Signature _____
- Name _____
- Address _____
- CNIC No. _____

2. Signature _____
- Name _____
- Address _____
- CNIC No. _____

CDC Account No.

Revenue Stamp of Rs. 5/-

To be signed by the above named shareholder

Notes:

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

پراکسی فارم

31 واں سالانہ اجلاس

میں / ہم ----- ساکن ----- حامل کمپیوٹرائزڈ کارڈ (CNIC) / پاسپورٹ نمبر -----
اور بطور رکن زاهد جی ٹیکسٹائل ملز لمیٹڈ ----- حامل CNIC / پاسپورٹ نمبر -----
یا اس کی عدم موجودگی میں ----- حامل CNIC / پاسپورٹ نمبر ----- کو مورخہ 27 اکتوبر
2020 کو منعقد ہونے والے 31 ویں سالانہ اجلاس عام اور اس کے کسی ملتی شدہ اجلاس کے لیے میری / ہماری جانب سے ووٹ ڈالنے کے لیے بطور نمائندہ (پراکسی)
تقرر کرتا ہوں / کرتی ہوں / کرتے ہیں۔
گواہان کی موجودگی میں میرے / ہمارے / ہماری دستخط / مہر روز ----- 2020 کو ثبت کئے گئے / کی گئی۔

گواہان:

- 1- دستخط -----
نام -----
پتہ -----
کمپیوٹرائزڈ شناختی کارڈ نمبر -----
- 2- دستخط -----
نام -----
پتہ -----
کمپیوٹرائزڈ شناختی کارڈ نمبر -----

پانچ روپے کی اسٹمپ

حصص یافتہ کے دستخط

سی ڈی سی اکاؤنٹ نمبر

نوٹس:

- 1- یہ پراکسی فارم مکمل اور دستخط شدہ، کمپنی کے رجسٹرڈ دفتر میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے پہلے موصول ہونا ضروری ہے پراکسی کا ممبر ہونا لازمی ہے۔
- 2- پراکسی فارم پر دو گواہان کے نام، پتے اور سی این آئی سی نمبر درج ہونے چاہیے۔
- 3- پراکسی فارم کے ساتھ تقرر کرنے والے اور پراکسی کے حامل فرد کے سی این آئی سی کی تصدیق شدہ نقول جمع کی جائیں گی۔
- 4- اجلاس کے وقت پراکسی کا حامل شخص اپنا اصل شناختی کارڈ فراہم کرے گا۔
- 5- کارپوریٹ ادارے کی صورت میں، ادارے کے بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹرنی بشمول نمونہ دستخط پراکسی فارم کے ساتھ جمع ہوں گی۔