2020

The Thirtyfirst

Annual Report

AHMAD HASSAN

TEXTILE MILLS LIMITED

31st Annual Report

of

Ahmad Hassan Textile Mills Limited

for the year ended June 30, 2020

CONTENTS

VISION

To be a world class and leading organization continuously providing high quality textile products.

MISSION

To be a model diversified textile organization exceeding expectations of all stakeholders. We will achieve this by utilizing best blend of state-of-the-art technologies, excellent business processes, high performing people, and synergetic organizational culture.

CORE VALUES

Our success will not be a matter of chance but of commitment to the following enduring beliefs and values that are engrained in the way we think and take actions to pursue a climate of excellence:

Integrity & Ethics: Integrity, honesty and high ethical, legal & safe standards are corner stones of our business practices.

Quality: We pursue quality as a way of life. It is an attitude that affects everything we do for relentless pursuit of excellence. Our aim is to achieve and sustain good reputation in both domestic and international market by manufacturing quality yarn / fabric with organized training and implementation of quality system as per our valued customers needs to ensure the achievement of our aim.

Social Responsibility: We believe in respect for the community and preserving the environment for our future generations and keeping National interests paramount in all our action.

Learning & Innovations: We embrace lifelong learning and innovation as an essential catalyst for our future success. We believe in continuous improvement and to seize opportunities inherent in change to shape the future.

Team Work: We believe that competent and satisfied people are the company's heart, muscle and soul. We savors flashes of genius in organization's life by reinforcing attitude of teamwork and knowledge sharing based on mutual respect, trust and openness.

Empowerment : We flourish under and ecosystem of shared understanding founded on the concept of empowerment, accountability and open communication in all directions.

STRATEGIC PLAN

To achieve the above objectives, the Company has made strategic plans to enhance and upgrade its installed capacity to maintain and expand its market. Further plans are to excel in social responsibilities by implementing related projects and community developments.

COMPANY PROFILE

BOARD OF DIRECTORS		
Chairman	Mian Muhammad Javed Anwar	Non-Executive Director
Chief Executive	Mr. Muhammad Aurangzeb	Executive Director
Directors	Mr. Muhammad Haris	Executive Director
	Mr. Muhammad Jahanzaib	Executive Director
	Mrs. Salma Javed	Non-Executive Director
	Mrs. Waheeda Parvaiz	Non-Executive Director
	Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)	Non-Executive Director
	Mr Nazir Ahmad Khan	Independent Director
AUDIT COMMITTEE		
Chairman	Mr Nazir Ahmad Khan	Independent Director
Members	Mian Muhammad Javed Anwar	Non-Executive Director
	Mrs. Waheeda Parvaiz	Non-Executive Director
HR & R COMMITTEE		
Chairman	Mr Nazir Ahmad Khan	Independent Director
Members	Mr. Muhammad Haris	Executive Director
	Mrs. Waheeda Parvaiz	Non-Executive Director
CHIEF FINANCIAL OFFICER	Sh. Muhammad Naeem	
HEAD OF INTERNAL AUDIT	Rao Saqib Ali	
COMPANY SECRETARY	Muhammad Nafees Ahmad Rahi	
AUDITORS	M/s PKF F.R.A.N.T.S Chartered Accountants	
BANKERS	Bank Al-Habib Limited Allied Bank Limited United Bank Limited Bank Al-Falah Limited Habib Bank Limited Soneri Bank Limited Meezan Bank Limited National Bank of Pakistan	
REGISTERED OFFICE	46 - Hassan Parwana Colony, Multan.	
MILLS	M.M. Road, Chowk Sarwar Shaheed, Distt. Muzaffargarh.	
SHARES REGISTRAR	M/s Vision Consulting Limited 3-C, LDA Flats, Lawarnce Road, Lahore.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Company will be held at its Registered Office, 46-Hassan Parwana Colony, Multan, on Wednesday 28th October, 2020, at 11:00 A.M., to transact the following business.

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on 30th November, 2019.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended June 30, 2020.

3. To appoint Auditors of the Company for the financial year 2020-2021 and to fix their remuneration. The present Auditors Messrs. PKF F.R.A.N.T.S, Chartered Accountants, retire and being eligible offered themselves for re-appointment.

4. To approve a final cash dividend for the year ended June 30, 2020 at Rs.1.50/- per share (15%), as recommended by the Board.

5. To elect Eight (8) Directors of the Company as fixed by the Board, in accordance with the provision of Section 159 of the Companies Act 2017, for a term of three years. The retiring Directors are:

(i)	Mian Muhammad Javed Anwar	(ii)	Mr. Muhammad Aurangzeb
(iii)	Mrs. Salma Javed	(iv)	Mr. Muhammad Haris
(v)	Mrs. Waheeda Parvaiz	(vi)	Mr. Muhammad Jahanzaib
(vii)	Mr. Syed Raza Abbas Jaffari	(Viii)	Mr. Nazir Ahmad Khan

Other Business

6. To consider any other matter with the permission of the Chairman.

BY ORDER OF THE BOARD OF DIRECTORS
Sd/-

Multan:
Dated : 26.09.2020

(Muhammad Nafees Ahmad Rahi)
Company Secretary

Notes:

I. The Share Transfer Books of the Company will remain closed from 21st October, 2020 to 28th October, 2020 (both days inclusive).

II. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the meeting.

III. Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.

IV. Members are requested to notify the change of their address to our Share Registrar, M/s Vision Consulting Limited, immediately.

V. The Members, who desire for receiving the annual audited financial statements and AGM Notice through email, are requested to send their written consent on Standard Request Form available on website www.ahtml.com.pk in order to avail this facility. The audited financial statements for the year ended June 30, 2020 are available on website of the Company. Further, the Company has sent its Annual Reports 2020 through CD/DVD/USB to the shareholders at their available addresses instead of hard copy. However, hard copy of Annual Report will be provided free of cost on written request of the shareholder.

VI. Pursuant to requirement of Section 244 of the Companies Act, 2017, shareholders who could not collect their cash dividend/physical shares, are advised to contact at the registered office of the Company to collect/enquire about their unclaimed dividend or physical shares, if any.

VII. In term of SECP's Circular No. 10 of 2014 dated May 21, 2014 read with provisions contained under Section 134 (1)(b) of the Act, members of the company may also attend and participate in the AGM through video conference facility in a city other than Multan, if members residing in the vicinity, collectively holding 10% or more shareholding, may demand in writing, to participate in the AGM through video conference (as per the format appended below) at least seven (7) days prior to the date of AGM.

After receiving the consent of members having 10% or more shareholding in aggregate, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of AGM.

Consent for Video Conference Facility
I/we , ___________ of ______________, being a member of Ahmad Hassan Textile Mills Limited, holders of _____________ ordinary share(s) as per CDC participant ID & sub -account No. _______________ hereby opt for video conference facility at _____________. Signature of the Member(s) (affix company stamp in case of corporate entity)

VIII. Pursuant to Section 242 of the Companies Act, 2017, all listed companies have been mandated to pay dividend only by way of electronic mode, directly into the bank accounts to entitled members designated by them. Accordingly, all shareholders of the Company who have not

Yet provided their bank account details (including IBAN) to their participant/CDC Investor Account Service which maintains their CDC Account, are requested to provide the same at the earliest but not later than the first day of book closure, otherwise, the Company would be constrained to withhold their amount of dividend, if any, in accordance with the requirements of the Act and the Regulation.

IX. With reference to precautions to be taken against of COVID-19 and in accordance with Circular No. 5 of 2020 dated March 17,2020 the company informs its shareholders as follows:

- The Shareholders who are interested to attend the AGM through Video Conferencing are hereby requested to get themselves registered with the Company Secretary office by providing the following details but not later than 72 hours before the time of AGM through following means:
  - o Mobile/WhatsApp: 0300-7196690
  - o Email: sec@ahtml.com.pk

- The shareholders can also provide their comments/suggestions for the proposed agenda items of the AGM by using the aforesaid means.

X. Pursuant to the provisions of Income Tax Ordinance, 2001, deduction of income Tax from dividend payment shall be made on basis of filer and non-filers.

For Filer of Income Tax Returns	= 15%
For Non-Filer of Income Tax Returns	= 30%

XI. Any Member who seeks to contest the election of directors shall, whether he/she is a retiring director or otherwise, file with the company, the following documents at its registered office not later than fourteen (14) days before the date of the above said meeting:

a. His/her Folio No./CDC Account No.CDC Sub-Account No.
b. Notice of his/her intention to offer himself/herself for the election of directors in terms of Section 159(3) of the Companies Act, 2017 together with his/her consent to act as Director.
c. Attested valid CNIC and NTN.
d. Detailed profile alongwith mailing address for placement on Company's website.
e. Declarations in respect of being complaint with the requirements of the Listed Companies Code of Corporate Governance Regulations, 2019 and the eligibility criteria as set out the Companies Act, 2017.

STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

Persons eligible under Section 153 meet the criteria under section 166 of the Companies Act, 2017 may submit their nomination as independent directors. However, it is noteworthy to mention that independent directors shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.

Chairman's Review

In the Name of Allah, the Most Beneficent, the Merciful

Dear Shareholders

I wish to begin firstly by extending my deepest courtesies to those state and private sector institutions which have led the fight in combating the threat that the Coronavirus outbreak continues to pose towards the nation at large. The Coronavirus pandemic has spared almost no industry and its effects will be noticeable for months and perhaps years to come. Economic activity, and in particular Large-Scale Manufacturing (LSM), had been in decline. The outbreak of the pandemic has unfortunately only added to the set of challenges. However, I am confident that our resolve and ability to adapt to change will ultimately restore normalcy to a great extent in the coming year. I also commend the perseverance and dedication of our management team and employees who continue to perform despite of economic hardship.

High interest rates, inability to fully pass on the cumulative increase in energy and imported raw material costs due to PKR depreciating in the preceding year were the primary limiting factors for the manufacturing industry during the first half of the year. The second half the year was dominated by lockdowns, first in China and South-East Asia, and later in the rest of the world, which resulted in a historic decline in sales across the board.

In such a challenging situation, the Board was introduced to the management and taken through the workings of the Company. The Board has performed its duties and responsibilities diligently and has contributed effectively in guiding the Company in its strategic affairs. The Board also played a key role in monitoring management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and enhancing the vision of the Company. The Board recognises that well-defined Corporate Governance processes are vital to enhancing corporate accountability and are committed to ensuring high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed to the decision-making process of the Board. As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensure that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that the management continues to make decisions that create value for you in the short, medium and long term.
For maximizing the return of the shareholders, I am pleased to inform you that Board has decided to give final dividend of Rs.1.5 per share.

The demerger of company by separating Spinning and Weaving segments is under process.

On behalf of Board of Directors, I would like to express my special admiration to all shareholders, Banks, committee members and staff for their commitment and deep devotion.

Multan | Mian Muhammad Javed Anwar
Dated : September 26,2020 | Chairman

Directors' Report

In the Name of Allah, the Most Beneficent, the Merciful

Dear Shareholders

Yours Directors are pleased to share with you and update on your company's performance for 2019-20, for the year ended June 30, 2020. The 31th Annual Report is in your hands together with the Directors Report and Auditors Report thereon;

SUMMARIZED FINANCIAL RESULTS:

	2020	2019
	(Rupees)	**(Rupees)**
Sales-Net	**7,351,414,537**	7,273,993,808
Gross Profit	**538,996,652**	459,736,532
Profit After Taxation	**121,030,807**	40,955,567
G.P Ratio	**7.33%**	6.32%
Earnings Per Share	**8.40**	2.84

REVIEW OF OPERATIONS:

The year started with impressive growth while reaching in the month of March 2020, calamity Covid-19, affected the production and Sales of the company. With Coronavirus infection rates in decline at the time of writing this report, we are hopeful that despite the tough conditions the government will continue to pursue sustainable policies. The financial year 2019-20 was a highly challenging year for the Company. Low economic growth of the country, volatile foreign currency rates, stiff global competition and expensive raw material remained hurdle to re-enter in foreign market and earn better profit margin throughout the financial year. Due to COVID-19, company suffered production loss. However, Government of Pakistan with the help of State Bank of Pakistan (SBP) and Pakistan Banking Association (PBA) incentivized industry for smooth operation by deferring long term loans for one year. Inspite of all the adverse factors, your directors of the Company very much succeeded to grab the further local market share. As a result, GP ratio increased to 7.33% and profit after tax remained of Rs 121.031 million which was Rs 80.08 million greater than previous financial year.

Our sales were increased by 1.06% and cost of sales decreased by 0.03%. Therefore, our gross profit margin increased to 7.33%. Distribution cost decreased by 24.48 % due to decreased in direct export sale. Our admin expenses were increased by 1.10%, while finance cost increased by 10.04% due to rising trend of KIBOR as compared to the last year ended June 30, 2019. An overview of key operating performance and other data for last six years is annexed to the annual report.

BOARD COMPOSITION:

The total number of directors are eight (8) as per the following;

a. Male: Six

b. Female: Two

i. Independent Directors	Mr. Nazir Ahmad Khan
ii. Non-executive Directors	Mian Muhammad Javed Anwar
	Mrs. Salma Javed
	Mrs. Waheeda Parvaiz
	Mr. Syed Raza Abbas Jafferi (Rep. N.I.T)
iii. Executive Directors	Mr. Muhammad Haris
	Mr. Muhammad Aurangzeb
	Mr. Muhammad Jahanzaib

1. AUDIT COMMITTEE

- Mr. Nazir Ahmad Khan (Chairman)
- Mian Muhammad Javed Anwar (member)
- Mrs. Waheeda Parvaiz (member)

2. HR & R COMMITTEE:

- Mr. Nazir Ahmad Khan (Chairman)
- Mr. Muhammad Haris (member)
- Mrs. Waheeda Parvaiz (member)

REMUNERATION OF THE DIRECTORS

The non-executive directors and independent director are paid remuneration for only attending the Board/Committee meetings, as per approved policy. The relevant details are disclosed in notes 44 to the financial statements for the year ended June 30, 2020.

NAME OF BOARD OF DIRECTORS/COMMITTEE, MEETINGS AND ATTENDANCE

Name of Board of Directors	**Board meeting**	**Audit Committee meeting**	**HR & R Committee meeting**
	5	**5**	**2**
Mian Muhammad Javed Anwar	5	5	-
Mr. Muhammad Haris	5	-	2
Mrs. Salma Javed	5	-	-
Mr. Muhammad Aurangzeb	5	-	-
Mr. Muhammad Jahanzaib	5	-	-
Mrs. Waheeda Parvaiz	5	5	2
Mr. Nazir Ahmad Khan	5	5	2
Mr. Raza Abbas Jaffari (Nominee N.I.T)	5	-	-

DIRECTORS TRAINING PROGRAM

Three directors of the Company are exempted from the Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. One director has obtained the certificate after successfully completion of director training program.

INTERNAL CONTROL SYSTEM

An internal control system is designed to provide reasonable assurance that the Company ensures compliance of policies, laws, efficient use of its resources and to provide information to right persons on timely manner. Your management is much focused to comply with all applicable standards and regulations and such compliance are regularly monitored. Further, any non-compliance is timely reported and corrections are made when requires.

CORPORATE SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL CARE

AHTML believes that safe, healthy and comfortable environmental conditions are backbone for quality production. We are also committed to Corporate Social Responsibilities and integrating sound social practices in our day to day business activities. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we have.

Therefore, As a traditional norm, we are continuously providing quality food to our staff at subsidize rates, free medical camps are organized for employees and native populations, Scholarships are provided to talented children of the staff and special events are organized like sports tournaments, aftari and tree plantation campaign etc. for the betterment of the staff and nation as well.

FUTURE OUTLOOK

We are entering the new fiscal year at a time when all major economies have been brought to a standstill. The impact has been very fast and widespread, and the next few months will be very difficult for everyone, individuals and organizations. On the other hand, the economic downturn is not due to any structural problem in any industry, but due to an externality that has hit the pause button on all economic activity. Whenever that externality is removed, an equally quick recovery should follow. The current government commitments about decrease in energy prices, devaluation of Pak rupees and timely releasing the sales tax refunds will definitely turn around the situation. Government of Pakistan should issue relief to textile industry in levy of GIDC. Due to COVID-19, textile industry already facing others problem of GIDC also make a negative impact on textile industry feel fear cash flow shortage if recovery of GIDC continue with previous rate. We are still anxiously waiting for implementation of textile package including Gas rate of $6.5/MMBTU, as approved by Economic Coordination Committee (ECC). We hope that with the passage of time, the combination of directors' experience and mature decisions of the government for industry revival will help to increase the earnings of the Company and shareholders' wealth as well.

The Directors of the Company, in their meetings held on November 07, 2019, approved with majority the Scheme of Compromises, Arrangements and Reconstruction (the Scheme) under the Companies Act, 2017 among the Company and its members, which was later on approved by the 93.67% majority of members of the Company in the Extra Ordinary General Meeting dated November 30, 2019. The Company filed application in the Honorable Lahore High Court (the Court) on December 11, 2019 to obtain sanction of, and for other orders facilitating the implementation of the Scheme. The principal object of the Scheme is to provide for the division of the Company as follows:

1. The spinning business segment represented by a group of shareholders will be separated from the Company and all its assets and liabilities will be transferred to M/S Ahmad Hassan Spinning Limited (a public un-listed company). Moreover, the ginning operations, presently being operated on lease, will also be transferred along with the spinning business segment;
2. The shareholders representing the spinning business segment will surrender their shares to the Company which shall be cancelled by order of the Court; and
3. The remaining shareholders representing the weaving business segment, along with the minority shareholders, shall continue the weaving business in the present form of the listed company.

Till the date of authorization for issue of financial statements, the order of the Court sanctioning the Scheme is awaited.

CORPORATE GOVERNANCE

The directors of your company state further that:

1- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cashflows and changes in equity.
2- Proper books of account of the listed 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
5- The system of internal control is sound in design and has been effectively implemented and monitored.
6- There are no significant doubts upon the listed company's ability to continue as a going concern.
7- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8- Outstanding duties and taxes, if any, have been disclosed in the financial statements.
9- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director.
10- The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
11- The Company's Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 is attached.

AUDITORS

M/s PKF F.R.A.N.T.S. Chartered Accountants, being eligible and offering themselves for re-appointment, are recommended for re-appointment as Auditors of the Company for a term of one year as suggested by the Audit Committee.

PATTERN OF SHAREHOLDING

Pattern of holding of shares by the shareholders of the Company as on June 30, 2020 is enclosed.

DIVIDEND

In view of the financial performance of the Company. The Board of Directors recommended to pay final dividend of Rs 1.5 per share for the financial year ended June 30, 2020.

ACKNOWLEDGMENT

Your Directors place on record their deep appreciation for the efforts made by the workers and staff of the Company for their deep devotion to their work. Your Directors would also like to express their thanks to the Shareholders and Financial Institutions, specially Bank Al Habib Ltd, National Bank, Soneri Bank Ltd, Allied Bank Ltd, Bank Al Falah Ltd, Meezan Bank, Habib Bank and United Bank Ltd for their support and assistance.

On behalf of the Board of Directors

Chief executive   Director

Multan

Dated: September 26, 2020

ڈائریکٹرز کی جائزہ رپورٹ

اللہ کے نام سے شروع جو بڑا مہربان اور نہایت رحم کرنے والا ہے

محترم حصہ داران!

ہم ڈائریکٹران بخوشی آپ کے سامنے مورخہ 30 جون 2020ء تک مکمل ہونے والے سال کے مالیاتی نتائج کی 31ویں سالانہ رپورٹ، ڈائریکٹرز کی رپورٹ اور آڈیٹرز کی رپورٹ کے ساتھ حاضر ہیں۔

مالیاتی نتائج کا خلاصہ	2020ء	2019ء
کل رقم فروختگی	7,351,414,537	7,273,993,808
کل منافع	538,996,652	459,736,532
منافع بعداز ٹیکس	121,030,807	40,955,567
شرح منافع	7.33%	6.32%
فی حصص آمدنی	8.40	2.84

کاروباری امور کا جائزہ

سال کی ابتداء متاثر کن شرح نمو کے ساتھ ہوئی لیکن ماہ مارچ 2020 تک پہنچنے پر کویڈ-19 کی آفت نے کمپنی کی پیداوار اور فروخت کو شدید متاثر کیا۔ اگرچہ اب جب کہ ہم یہ رپورٹ تحریر کر رہے ہیں کرونا وائرس کی وبا میں کافی حد تک کمی آ چکی ہے، ہم امید کرتے ہیں کہ سخت حالات کے باوجود حکومت کی جانب سے پائیدار حکمت عملی جاری رکھی جائے گی۔ مالی سال 20-2019 کمپنی کے لیے ایک کٹھن سال ثابت ہوا۔ ملکی شرح نمو میں کمی، کرنسی ریٹ میں عدم استحکام، شدید بین الاقوامی مقابلہ اور بیش قیمت خام مال کی وجہ سے بین الاقوامی مارکیٹ میں دوبارہ شمولیت اور بہتر منافع کمانے میں شدید دشواری کا سامنا کرنا پڑا۔ دوران کویڈ-19 کمپنی کو پیداواری نقصان کا سامنا کرنا پڑا۔ تاہم حکومت پاکستان نے اسٹیٹ بنک آف پاکستان اور پاکستان بینکنگ ایسوسی ایشن کی مدد سے انڈسٹریز کو کاروباری عدم استحکام سے بچانے کے لیے قرضوں کی ادائیگی میں ایک سال تک کی رعایت دی۔ تمام منفی حالات کے باوجود، آپ کے ڈائریکٹرز لوکل مارکیٹ میں خاطرخواہ نتائج حاصل کرنے میں کامیاب رہے۔ جسکے نتیجے میں کل منافع کی شرح میں 7.33 فیصد تک اضافہ ہوا اور ٹیکس کی ادائیگی کے بعد منافع 121.031 ملین رہا جو کہ پچھلے سال سے 80.07 ملین زیادہ ہے۔

ہماری فروخت میں 1.06 فیصد اضافہ ہوا جبکہ پیداواری لاگت میں 0.03 فیصد کمی ہوئی۔ جسکی وجہ سے ہمارے منافع کی شرح 7.33 فیصد تک بڑھی۔ ڈسٹری بیوشن کی لاگت میں براہ راست برآمدگی فروخت کی بدولت 24.48 فیصد تک کمی ہوئی۔ ہمارے ایڈمنسٹریٹو اخراجات میں 1.10 فیصد اضافہ ہوا جبکہ مالیاتی اخراجات میں 10.04 فیصد تک اضافہ ہوا جو کہ پچھلے سال جو 30 جون 2019 کو ختم ہوا، کے مقابلے میں اس سال KIBOR کی شرح میں اضافے کی وجہ سے ہوا۔ پچھلے چھ سال کی کاروباری کارکردگی کا ایک جائزہ و دیگر ڈیٹا بھی اس رپورٹ کے ساتھ منسلک کیا گیا ہے۔

بورڈ کی ساخت

مندرجہ ذیل کے مطابق ڈائریکٹرز کی تعداد (8) ہے۔

میل: چھ

فی میل: دو

آزاد ڈائریکٹر:	مسٹر نذیر احمد خان
نان ایگزیکٹو ڈائریکٹر:	میاں محمد جاوید انور
	مسماۃ سلمیٰ جاوید
	مسماۃ وحیدہ پرویز
	مسٹر سید رضا عباس جعفری (نامزدشدہ NIT)
ایگزیکٹو ڈائریکٹرز:	مسٹر محمد حارث
	مسٹر محمد اورنگزیب
	مسٹر محمد جہانزیب

-1 آڈٹ کمیٹی

- مسٹر نذیر احمد خان (چیئرمین)
- میاں جاوید انور (ممبر)
- مسماۃ وحیدہ پرویز (ممبر)

-2 ہیومن ریسورس اینڈ ریموزیشن کمیٹی

- مسٹر نذیر احمد خان (چیئرمین)
- مسٹر محمد حارث (ممبر)
- مسماۃ وحیدہ پرویز (ممبر)

ڈائریکٹرز کا معاوضہ

نان ایگزیکٹو ڈائریکٹرز و آزاد ڈائریکٹر کو صرف بورڈ و کمیٹی کی میٹنگ میں شمولیت کے لیے منظور شدہ قواعد کے مطابق ادائیگی کی جاتی ہے۔
متعلقہ تفصیلات 30 جون 2020 کو ختم ہونے والے مالی سال کے اکاؤنٹس میں نوٹ نمبر 44 میں درج ہیں۔

نام / کمیٹی ہائے کے اجلاس اور ان میں کی حاضری

بورڈ ڈائریکٹرز کے نام	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ہیومن ریسورس اینڈ ریمونریشن کمیٹی
میٹنگز کی کل تعداد	**5**	**5**	**2**
میاں محمد جاوید انور	5	5	-
محمد حارث	5	-	2
سلمٰی جاوید	5	-	-
محمد اورنگزیب	5	-	-
محمد جہانزیب	5	-	-
وحیدہ پرویز	5	5	2
نذیر احمد خان	5	5	2
رضا عباس جعفری (نامزدشدہNIT)	5	-	-

ڈائریکٹرز ٹریننگ پروگرام

تین ڈائریکٹرز کو ان کی تعلیمی قابلیت اور تجربے کی بنا پر ڈرائریکٹرز ٹریننگ پروگرام سے مستثنیٰ کیا گیا ہے، جیسا کہ CCG میں فراہم کیا گیا ہے۔ ایک ڈائریکٹر نے ڈائریکٹر ٹریننگ کی کامیاب تکمیل کے بعد سرٹیفکیٹ حاصل کرلیا ہے۔

ادارے کے اندرونی کنٹرول کا نظام

ادارے کا اندرونی کنٹرول کا نظام اس مقصد کیلئے بنایا گیا ہے کہ وہ اس چیز کی یقین دہانی کروائے کہ ادارے نے قواعد وضوابط کو قانونی تقاضوں کے مطابق پورا کیا ہے، اپنے وسائل کا بہترین استعمال کیا ہے اور صحیح معلومات کو بروقت لوگوں تک پہنچایا ہے۔ آپ کی انتظامیہ اس چیز کا بھی بہت دھیان رکھتی ہے کہ سارے قابل اطلاق قوانین کو پورا کرنے کے ساتھ ساتھ ان کو پورا کرنے کی باقاعدہ نگرانی کرے اگر کہیں بے قاعدگی نظر آئے تو اسے فوراً ٹھیک بھی کرے۔

سماجی ذمہ داریاں اور ماحولیاتی تحفظ:

ادارہ کا یقین ہے کہ پرسکون ماحولیاتی حالات معیاری پیداوار کے لیے ریڑھ کی ہڈی کی حیثیت رکھتے ہیں۔ ہم کارپوریٹ سماجی ذمہ داریوں اور روزمرہ کاروباری معاملات میں منظّم سماجی طریقوں کو مربوط کرنے کے بھی خود کو پابند سمجھتے ہیں۔ ہم اپنی کامیابی مالیاتی معیار پر نہیں جانچتے بلکہ صارفین کو مطمئن کرنے اور معاشرے کی حمایت حاصل کرنے کو سمجھتے ہیں۔ اس وجہ سے ایک روایت کے طور پر ہم رعایتی نرخوں پر عملہ کو بہترین کھانا فراہم کررہے ہیں۔ اپنے عملہ اور فیکٹری کے قریبی لوگوں کے لیے مفت میڈیکل کیمپ کا اہتمام کرتے ہیں۔ عملہ کے ذہن بچوں کو تعلیمی وظائف دیتے ہیں اور اپنے عملہ اور قوم کی بہتری کے لیے ہم خصوصی تقریبات جس میں کھیلوں کے ٹورنامنٹ، روزہ افطاری اور درخت لگانے کی مہم جیسے اقدامات کا اہتمام کرتے ہیں۔

مستقبل پر نظر

ہم نئے مالی سال میں ایسے وقت میں داخل ہو رہے ہیں جب بڑی بڑی معاشی مارکیٹیں جام ہو کر رہ گئی ہیں۔ جسکا اثر بہت تیز اور پھیلاؤ بہت زیادہ ہے اور اگلے کچھ ماہ سب کے لیے انفرادی اور اجتماعی طور پر بہت مشکل ہونگے۔ دوسری جانب معاشی گراوٹ کسی انڈسٹری میں اندرونی مسائل کی وجہ سے نہیں ہے بلکہ خارجی طاقت کی وجہ سے ہے جس نے ساری معاشی سرگرمیوں کو روک دیا ہے۔ جیسے ہی اس خارجی طاقت کا دخل ختم ہوگا تو ایک تیز رفتا بحالی شروع ہوگی۔ حکومت کی حکمت عملی جس میں توانائی کی قیمتوں میں کمی، پاکستان کے روپے کی قدر میں کمی اور سیلز ٹیکس ریفنڈ کی بروقت ریلیز ضرورت حالات پر اثر انداز ہوگی۔ حکومت پاکستان کو ٹیکسٹائل انڈسٹری کے لیے بھی (GIDC ٹیکس کی مد میں) ریلیف جاری کرنا چاہیے۔ کوویڈ-19 کی وجہ سے ٹیکسٹائل انڈسٹری کو پہلے ہی کافی دشواریوں کا سامنا ہے جبکہ GIDC کا بھی ٹیکسٹائل انڈسٹری پر منفی اثر پڑے گا جس سے ترسیلات زر میں کمی کا خطرہ ہوسکتا ہے اگر GIDC کی سابقہ شرح برقرار رکھی گئی۔ ہم بے چینی سے انتظار کر رہے ہیں کہ ٹیکسٹائل پیکیج لاگو کیا جائے جس میں گیس ریٹ 6.5/MMBTU جیسا کہ اکانومک کوآرڈنیشن کمیٹی (ECC) کی جانب سے منظور شدہ ہے۔ ہم امید کرتے ہیں کہ وقت کے ساتھ ڈائریکٹرز کا باہمی اتفاق اور تجربہ نیز حکومت کی جانب سے انڈسٹری کی بحالی کے لیے بہترین فیصلوں کی وجہ سے کمپنی کی آمدن میں اضافہ ہوگا جسکا اثر حصہ داران پر بھی ہوگا۔

کمپنی کے ڈائریکٹرز کی میٹنگ 7 نومبر 2019 میں کمپنی اور اس کے ممبران کے مابین کمپنیز ایکٹ 2017 کے تحت سمجھوتہ، انتظامات اور تعمیر نو (اسکیم) کی منظوری دے دی گئی جو کہ بعد میں 30 نومبر 2019 کو ہونے والے غیر معمولی جنرل اجلاس میں 93.67% اکثریت کے ساتھ منظور کر لیا گیا۔ کمپنی نے 11 دسمبر 2019 کو معزز لاہور ہائی کورٹ (عدالت) میں درخواست دائر کی دیگر احکامات اور منظوری حاصل کرنے کے لئے۔ اس اسکیم کا اصل مقصد کمپنی کی تقسیم درج ذیل طریقے سے فراہم کرنا ہے۔

1۔ حصص داران کے ایک گروپ کے ذریعے نمائندگی کرنے والا اسپننگ طبقہ کمپنی سے الگ ہو جائے گا اور اس کے تمام اثاثے اور واجبات میسر احمد حسن سپننگ لمیٹڈ (ایک عوامی غیر لسٹ کمپنی) منتقل ہو جائیں گے۔ مزید یہ کہ جنگ آپریشنز جو کہ لیز پر چلا رہے ہیں کو ہی سپننگ بزنس کے ساتھ منتقل کیا جائے گا۔

2۔ سپننگ بزنس کی نمائندگی کرنے والے حصص دار اپنے حصص کو کمپنی کے حوالے کر دیں گے جو کہ عدالت کے حکم سے منسوخ ہو جائیں گے اور:

3۔ بقیہ حصص داران جو کہ ویونگ کی نمائندگی کے ساتھ ویونگ کاروبار لمیٹڈ کمپنی کا حصہ رہیں گے۔

مالی بیانات جاری کرنے کے لئے اجازت کی تاریخ تک اسکیم کی منظوری کے عدالت کے حکم کا انتظار ہے۔

کارپوریٹ گورننس

1- کمپنی کی انتظامیہ کی طرف سے تیارہ کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکوٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔

2- کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

4- مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیار کی جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

5- اندرونی کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں نافذ کیا گیا ہے جسکی نگرانی بھی کی جاتی ہے۔

6- کمپنی کا کاروبار رواں دواں رکھنے کی صلاحیت شکوک وشبہات سے بالاتر ہے۔

7- لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی کمی بیشی نہیں کی گئی۔

8- ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس میں دی گئی ہیں اور مالیاتی گوشواروں کا حصہ ہیں۔

9- ادارے کی ایک آڈٹ کمپنی ہے جس کے ممبرز بورڈ آف ڈائریکٹر میں سے ہیں اور اس کا چیئرمین آزاد ڈائریکٹر ہے۔

10- بورڈ نے ادارے کے مشن اور وژن کے مطابق حکمت عملی کو اپنالیا ہے۔

11- کمپنی کی دیگر کمپنیز کے ساتھ حکمت عملی کارپوریٹ گورننس اصولوں کے متعلق رپورٹ بھی اس ڈائریکٹر رپورٹ کے ساتھ منسلک ہے۔

آڈیٹر

M/S PKF FRANTS چارٹرڈ اکاؤنٹنٹ دوبارہ منتخب ہونے کیلئے خود کو پیش کرتے ہیں، آڈٹ کمیٹی نے بھی ان کو دوبارہ ادارے کے آڈیٹر کے طور پر ایک سال کی مدت کیلئے تجویز کیا ہے۔

پیٹرن آف شیئر ہولڈنگ

پیٹرن آف شیئر ہولڈنگ، کمپنی کے شیئر ہولڈرز کی جانب سے برائے اختتام سال 30 جون 2020 لف ہذا ہے۔

ڈیوی ڈینڈ

بورڈ بخوشی 30 جون 2020 کو ختم ہونے والے مالی سال کیلئے 1.5 روپے فی حصص کے حساب سے فائنل ڈیوی ڈینڈ تجویز کرتا ہے۔

اظہار تشکر

آپ کے ڈائریکٹران نے کمپنی کے کارکنوں اور عملے کی طرف سے کی گئی کوششوں کی تہہ دل سے تعریف کی ہے۔ آپ کے ڈائریکٹران کے تعاون اور مدد کیلئے حصص داران اور مالیاتی اداروں خاص طور پر بینک الحبیب، نیشنل بنک، سونیری بینک، الائیڈ بینک، بینک الفلاح، میزان بینک، حبیب بینک اور یونائیٹڈ کے تعاون اور رہنمائی کا شکریہ ادا کرتے ہیں۔

چیف ایگزیکٹو   ڈائریکٹر

ملتان

مورخہ 26 ستمبر 2020

Six Years Growth at Glance (2015-2020)

Particulars	2015	2016	2017	2018	2019	2020
OPERATIONAL PERFORMANCE:						
Weaving						
Number of Looms Installed	150	163	191	191	219	219
Number of Looms Worked	150	163	163	176	219	219
Installed Capacity after conversion into 60 picks Sq. Meter (000)	46,011	50,000	51,000	51,000	76,617	76,617
Actual Production after conversion into 60 picks Sq. Meter (000)	37,664	43,163	44,437	48,517	55,471	51,229
Spinning						
Number of Spindles Installed	24,984	24,984	24,984	28,152	28,152	28,152
Number of Spindles Worked	24,984	24,984	24,984	28,152	28,152	28,152
No. of Shifts Worked	1,095	1,098	1,095	1,095	1,095	1,095
Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000)	8,771	8,951	8,880	10,216	10,668	10,668
Actual yarn Production (after con. 20/s count) KGS (000)	7,075	8,476	8,628	9,507	10,546	10,438
PROFIT AND LOSS:						
Net Sales Rs. (000)	3,248,868	3,455,552	4,055,873	5,179,001	7,273,994	7,351,415
Cost of Sales Rs. (000)	3,039,521	3,207,894	3,809,770	4,870,745	6,814,257	6,812,418
Gross Profit Rs. (000)	209,347	247,658	246,103	308,256	459,737	538,997
Operating ProfitRs. (000)	35,862	116,912	132,039	202,702	318,390	402,370
Profit /(loss) before Tax Rs. (000)	(70,471)	8,707	9,565	64,907	129,357	194,351
Profit /(loss) after Tax Rs. (000)	(19,975)	(18,118)	(3,449)	10,118	40,956	121,031
BALANCE SHEET:						
Share Capital and Reserves Rs. (000)						
Shareholders Equity Rs. (000)	1,850,206	1,811,322	1,807,873	1,817,992	1,840,937	1,824,663
Property Plant & Equipment Rs. (000)	2,665,839	2,580,090	2,710,351	2,762,251	2,841,368	2,573,275
CurrentAssets Rs. (000)	961,355	1,054,581	1,394,197	1,496,594	1,843,525	1,955,162
Current Liabilities Rs.(000)	1,061,290	1,169,086	1,505,189	1,714,741	2,099,913	1,953,742
Long Term Liabilities Rs. (000)	755,943	589,268	698,568	677,170	713,577	701,039
INVESTOR INFORMATION:						
Per Share (Rs.)						
Dividend announced (Rs per share)	-	-	-	1.25	1.25	1.50
Earning/(Loss) Per Share	(1.39)	(1.26)	(0.24)	0.70	2.84	8.40
FINANCIAL RATIOS:						
Gross Profit Ratio (%)	6.44	7.17	6.07	5.95	6.32	7.33
Net Profit Ratio (%)	(0.61)	(0.52)	(0.09)	0.20	0.56	1.65
Inventory Turnover (times)	5.62	5.32	4.94	5.52	6.89	6.17
Fixed Assets Turnover (times)	1.22	1.34	1.50	1.87	2.56	2.86
Total Assets Turnover (times)	0.89	0.94	0.99	1.20	1.53	1.54
Return on Capital Employed (%)	0.01	0.05	0.05	0.02	0.05	0.07
Debt to Equity Ratio (%)	23.35	22.29	26.16	26.62	26.18	23.43
Current Ratio (%)	0.91	0.90	0.93	0.87	0.88	1.00
Interest Coverage Ratio (times)	0.34	1.08	1.08	1.47	1.68	1.93

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: Ahmad Hassan Textile Mills Limited (the Company)
Year ending: June 30, 2020

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

1. The total number of directors are eight (8) as per the following:-

a. Male:	Six
b. Female:	Two

2. The composition of the board of directors (the Board) is as follows:

i. Independent directors	Mr. Nazir Ahmad Khan
ii. Non-executive directors	Mian Muhammad Javed Anwar
	Mrs. Salma Javed
	Mrs. Waheeda Parvaiz
	Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)
iii. Executive directors	Mr. Muhammad Haris
	Mr. Muhammad Aurangzeb
	Mr. Muhammad Jahanzaib
iv. Female directors	Mrs. Salma Javed
	Mrs. Waheeda Parvaiz

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. Three out of eight directors of the Company are exempted from directors training program on the basis of their level of education and length of experience as provided in these Regulations. One director (Mr. Muhammad

Aurangzeb i.e. Executive Director) has already attended the Director's Training Program;

10. The Board has approved appointment or continued service of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

- Mr. Nazir Ahmad Khan (Chairman)
- Mian Muhammad Javed Anwar (member)
- Mrs. Waheeda Parvaiz (member)

b) HR and Remuneration Committee

- Mr. Nazir Ahmad Khan (Chairman)
- Mr. Muhammad Haris (member)
- Mrs. Waheeda Parvaiz (member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

14. The frequency of meetings of the committees were as per following:

a) Audit Committee	5 meetings
b) HR and Remuneration Committee	2 meetings

15. The Board has set up an effective internal audit function which comprises of professionals 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 regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except that the minutes of the audit committee meetings were not circulated in accordance with

the Regulation 27(5); and .

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Reg. No.	Non-Mandatory Requirement	Explanation
10	**Responsibilities of the Board and its members** Adoption of corporate governance practices	Non-mandatory provisions of the CCG Regulations are partially complied.
19 (2)	**Directors Training for newly appointed director** A newly appointed director on the Board may acquire, the directors training program certification within a period of one year from the date of appointment as a director on the Board.	The Company will soon arrange the training program for newly appointed director.
29 (1)	**Nomination Committee** The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropria te in its circumstances.	Currently, the board has not constituted a separate Nomination Committee and the functions are being performed by the Human Resource & Remuneration Committee.
30 (1)	**Risk management Committee** The Board may constitute the risk mana gement committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the board has not constituted a sep arate Risk Management Committee and the functions are being performed by the Audit Committee.
35	**Disclosure of significant policies on website** The company may post the following on its website: (1) Key elements of its significant policies (2) Brief synopsis of te rms of reference of the Boards committees (3) Key elements of the directors remuneration policy	The Company is in the process of updating its website regarding the relevant disclosure requirements .

Signature
Muhammad Aurangzeb
Chief Executive

Signature
Muhammad Javed Anwar
Chairman/director

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AHMAD HASSAN 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 Ahmad Hassan 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.

Further, we highlight below instances of non-compliances with the requirements of the Regulations as reflected in the paragraph references where these are stated in the Statement of Compliance:

Sr.	Paragraph Reference	Description
i)	18	Minutes of the audit committee meetings were not circulated in accordance with the Regulation 27(5).

PKF F.R.A.N.T.S.
Chartered Accountants
Multan
Dated: September 26, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Ahmad Hassan Textile Mills Limited
Report on the Audit of Financial Statements

OPINION

We have audited the annexed financial statements of **Ahmad Hassan 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 other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

BASIS FOR OPINION

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

S. No.	Key audit matter	How the matter was addressed in our audit
1.	**Impact of COVID-19** Refer note 2 to the annexed financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities since March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. In connection with the accounting and reporting obligations, the management of the Company assessed the impact of COVID-19 related events on its financial statements including its impact on the appropriateness of the use of the going concern assumption. This included assessment of both financial (debt covenant compliance concerns, renegotiation of debt agreements, liquidity and funding concerns) and non-financial (disruption of supply chain, logistics, fluctuating demand, workforce management and employee health issue) considerations. In addition to this, the assumptions used and estimates associated with measurement of various assets and liabilities were also assessed. COVID-19 pandemic was a significant event during the year. The pandemic had an impact on the audit strategy and its execution involved assessment of management judgements in the preparation of the financial statements. This was accordingly considered as a key audit matter.	Our key audit procedures in this area included, amongst others, the following: • Evaluating management's assessment whether going concern assumption is appropriate; • Checking the key debt covenants of the loans and finances agreements in order to assess the Company's compliance status with these covenants; • Checking subsequent recoveries, on a sample basis; • Inspecting supporting documentation such as contracts and underlying calculations and correspondence with financing and other relevant parties; • Evaluating the Company's assessment of other accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables and inventory provisioning; and • Considering the appropriateness of the disclosures made in the financial statements in respect of the impact of COVID-19.
2.	**Contingencies** Refer note 4.22, note 30 and note 31 to the accompanying financial statements, various tax, excise and customs related matters are pending adjudication at various levels with the taxation authorities and other legal forums.	Our key audit procedures in this area included, amongst others, the following: • Reviewing the correspondence of the Company with the relevant authorities and legal advisors including judgments or orders passed by the competent authorities;

	The tax contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties regarding amount and the time period such matters may take to resolve, the management judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered contingencies as a key audit matter.	• Obtained and reviewing confirmations from the Company's external legal advisors for their views on the status of each case and an overall opinion on the position of the Company; • Involving internal tax experts to assess and review the management's conclusions on contingent matters; and • Evaluating whether adequate disclosures have been made in note 30 and note 31 to the accompanying financial statements.
3.	**Stock-in-trade** Refer note 4.9 and note 11 to the accompanying financial statements, stock-in-trade amounting Rs. 1,098.591 million forms a significant part of the Company's assets. Adjustments amounting to Rs. 10.995 million have been made to closing inventory to write down stocks to their net realizable value. We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involves significant judgement and estimation	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • Comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • Obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • Comparing the NRV, on a sample basis, to the cost of stock-in-trade to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.
4.	**Trade Debts** Refer note 12 to the accompanying financial statements, the Company's trade debtors were Rs. 609.448 million as at June 30, 2020 which is a significant balance. We identified the recoverability of trade	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and making

	debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.	allowances for doubtful debts; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • Assessing the assumptions and estimates made by the management for the provision for doubtful debts, if any; and • Comparing, on a sample basis, receipts from customers subsequent to the financial year end relating to trade debtor balances as at June 30, 2020 with the under lying documentation.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020, but does not include the financial statements of the Company 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Muhammad Talib.

PKF F.R.A.N.T.S.,
Chartered Accountants
Multan
September 26, 2020

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Notes	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**2,573,275,441**	2,841,368,043
Investment property	6	**43,311,500**	43,311,500
Intangible assets	7	**76,699**	122,717
Long term deposits	8	**12,617,377**	13,262,777
Long term investment	9	**-**	17,837,014
		2,629,281,017	2,915,902,051
CURRENT ASSETS			
Stores, spare parts and loose tools	10	**78,334,628**	60,940,689
Stock-in-trade	11	**1,098,590,926**	1,108,560,342
Trade debts	12	**609,448,392**	481,533,726
Loans and advances	13	**95,984,647**	111,787,562
Due from Government	14	**53,309,289**	57,775,795
Other receivables	15	**7,105,167**	6,109,505
Short term investments	16	**46,680**	52,000
Cash and bank balances	17	**12,342,710**	16,765,243
		1,955,162,439	1,843,524,862
TOTAL ASSETS		**4,584,443,456**	4,759,426,913
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	18	**200,000,000**	200,000,000
Issued, subscribed and paid up share capital	18	**144,082,488**	144,082,488
Capital reserves:			
Share premium	19	**32,746,284**	32,746,284
Surplus on revaluation of property, plant and equipment	20	**598,128,563**	742,422,219
Revenue reserve - unappropriated profit		**1,049,705,459**	921,685,893
		1,824,662,794	1,840,936,884
Subordinated loans	21	**105,000,000**	105,000,000
NON-CURRENT LIABILITIES			
Long term loans and financing	22	**509,856,710**	492,597,908
Lease liabilities	23	**2,108,206**	7,020,700
Deferred income - government grant	24	**1,608,850**	-
Deferred taxation - net	25	**187,465,164**	213,958,218
		701,038,930	713,576,826
CURRENT LIABILITIES			
Trade and other payables	26	**860,213,906**	681,408,533
Unclaimed dividend		**3,376,878**	3,235,078
Short term finances under markup arrangements and other credit facilities	27	**920,907,233**	1,138,700,665
Current portion of non-current liabilities	28	**42,137,973**	153,233,348
Accrued finance cost	29	**37,646,441**	52,539,990
Provision for taxation	30	**89,459,301**	70,795,589
		1,953,741,732	2,099,913,203
TOTAL LIABILITIES		**2,654,780,662**	2,813,490,029
CONTINGENCIES AND COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		**4,584,443,456**	4,759,426,913

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 Rupees	2019 Rupees
Sales - net	32	7,351,414,537	7,273,993,808
Cost of sales	33	(6,812,417,885)	(6,814,257,276)
Gross profit		538,996,652	459,736,532
Other income	34	945,369	2,464,097
Profit / (loss) on trading	35	224,300	(14,845)
Distribution cost	36	(46,117,079)	(61,066,650)
Administrative expenses	37	(76,656,460)	(75,825,494)
Other operating expenses	38	(15,022,482)	(6,903,889)
		(136,626,352)	(141,346,781)
Profit before finance cost		402,370,300	318,389,751
Finance cost - net	39	(208,018,873)	(189,033,018)
Profit before taxation		194,351,427	129,356,733
Taxation	40	(73,320,620)	(88,401,166)
Profit after taxation for the year		121,030,807	40,955,567
Earnings per share - basic and diluted	41	8.40	2.84

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/- Chief Executive	Sd/- Director	Sd/- Chief Financial Officer

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees
Profit after taxation for the year	**121,030,807**	40,955,567
Other comprehensive loss for the year		
Items that will not be classified to statement of profit or loss in subsequent periods:		
Impact of revaluation carried out during the year - net (note 20)	**(138,004,907)**	-
Less: related deferred tax	**18,710,319**	-
	(119,294,588)	-
Total comprehensive income for the year	**1,736,219**	40,955,567

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Chief Financial Officer

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

	Issued, subscribed and paid up share capital	Reserves			Total
		Capital		Revenue	
		Share premium	Surplus on revaluation of property, plant and equipment	Unappropriated profit	
	Rupees				
Balance as at June 30, 2018	144,082,488	32,746,284	773,129,285	868,033,570	1,817,991,627
Distribution to owners:					
Final cash dividend of Rs. 1.25 per share for the year ended June 30, 2018	-	-	-	(18,010,310)	(18,010,310)
Total comprehensive income for the year:					
Profit after taxation for the year	-	-	-	40,955,567	40,955,567
Other comprehensive income for the year	-	-	-	-	-
	-	-	-	40,955,567	40,955,567
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 20.2.	-	-	(30,707,066)	30,707,066	-
Balance as at June 30, 2019	144,082,488	32,746,284	742,422,219	921,685,893	1,840,936,884
Distribution to owners:					
Final cash dividend of Rs. 1.25 per share for the year ended June 30, 2019	-	-	-	**(18,010,309)**	**(18,010,309)**
Total comprehensive income for the year:					
Profit after taxation for the year	-	-	-	**121,030,807**	**121,030,807**
Other comprehensive loss for the year	-	-	**(119,294,588)**	-	**(119,294,588)**
	-	-	**(119,294,588)**	**121,030,807**	**1,736,219**
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 20.2.	-	-	**(24,999,068)**	**24,999,068**	-
Balance as at June 30, 2020	**144,082,488**	**32,746,284**	**598,128,563**	**1,049,705,459**	**1,824,662,794**

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Chief Financial Officer

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

	Notes	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**42**	**609,988,441**	374,912,263
Income tax paid - net		**(62,928,916)**	(57,762,077)
Finance cost paid - net		**(222,556,947)**	(168,619,812)
Long term deposits - net		**645,400**	(925,600)
Duty drawback of taxes on export sales received		**241,589**	18,379,669
Paid to Workers' Profit Participation Fund	**26.2**	**(7,163,724)**	(3,560,829)
		(291,762,598)	(212,488,649)
Net cash generated from operating activities (A)		**318,225,843**	162,423,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(10,586,218)**	(221,246,501)
Proceeds from disposal of property, plant and equipment		**3,040,000**	490,000
Long term investment realized - net		**17,700,000**	-
Dividend received		**-**	4,000
Net cash generated from/ (used in) investing activities (B)		**10,153,782**	(220,752,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(17,868,509)**	(17,794,774)
Long term finances obtained		**46,756,446**	180,820,805
Repayment of long term finances		**(137,826,086)**	(188,599,869)
Repayment of principal portion of lease liabilities	**23**	**(6,070,577)**	(2,847,828)
Short term finances - net		**(113,548,137)**	38,956,992
Net cash (used in) / generated from financing activities	**42.1**	**(228,556,863)**	**10,535,326**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**99,822,762**	(47,793,561)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(263,220,653)**	(215,427,092)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**42.2**	**(163,397,891)**	(263,220,653)

The annexed notes, from 1 to 55, form an integral part of these financial statements.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Chief Financial Officer

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND ACTIVITIES

Ahmad Hassan Textile Mills Limited (the Company) was incorporated in Pakistan on December 03, 1989 as a Public Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of yarn and fabric. The Company is also engaged in cotton ginning business by taking ginning factory on lease from its associated undertaking. Registered/Head office of the Company is situated at 46-Hassan Parwana Colony, Multan.

Following are the geographical locations and addresses of business units of the Company:

Business Unit	Address
Spinning and weaving mills	M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh
Ginning factory	Chowk Naseer Abad, Tehsil Jatoi, District Muzaffargarh

1.1 The Directors of the Company, in their meetings held on November 07, 2019, approved with majority the Scheme of Compromises, Arrangements and Reconstruction (the Scheme) under the Companies Act, 2017 among the Company and its members, which was later on approved by the 93.67% majority of members of the Company in the Extra Ordinary General Meeting dated November 30, 2019. The Company filed application in the Honorable Lahore High Court (the Court) on December 11, 2019 to obtain sanction of, and for other orders facilitating the implementation of the Scheme. The principal object of the Scheme is to provide for the division of the Company as follows:

(i) The Spinning business segment represented by a group of shareholders will be separated from the Company and all its assets and liabilities will be transferred to M/S 'Ahmad Hassan Spinning Limited' (a public un-listed company). Moreover, the ginning operations, presently being operated on lease, will also be transferred along with the spinning business segment;

(ii) The shareholders representing the spinning business segment will surrender their shares to the Company which shall be cancelled by order of the Court; and

(iii) The remaining shareholders representing the weaving business segment, along with the minority shareholders, shall continue the weaving business in the present form of the listed company.

As of the date of authorization for issue of these financial statements, the order of the Court sanctioning the Scheme is awaited.

2 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various business.

The Company is conducting business with some modifications to employees' working, among other modifications while following all necessary Standard Operating Procedures (SOPs) recommended by the Government. The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers and other shareholders.

Prior to the Pandemic, the Company's financial results presented healthy growth. The sales and production showed increasing trends and the overall profit increased. However, the operations of the Company were affected to some extent due to the COVID-19 situation. The year ended with a decrease in production and sales during the last quarter and expected annual results / targets regarding production and sales could not be achieved. The mills and offices of the Company remained closed from March 26, 2020 till April 08, 2020 which affected the production and sales. The stock of finished products could not be sold at the expected rates and the company incurred an NRV loss of Rs. 10.995 million on some finished goods.

IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS - continued

Due to the effects of Covid-19 pandemic, as stated above, the State Bank of Pakistan (SBP) took various measures to support the economy. As a part of it, SBP introduced a refinance scheme as detailed in note 22.2. The Company availed this scheme and recognized government grant in accordance with IAS-20 'Accounting for government grants and disclosure of government assistance' as disclosed in note 24. The Company also applied to some banks for deferment of principal payments of the long-term loans and finances, which were acceded to by the banks as detailed in note 22.3.

Currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear. However, the management based on its assessment considered that there would be no significant impact that will adversely affect its business, results of operations and financial condition in future period or the carrying amount of assets and liabilities, except as detailed above, and its going concern assumption.

3 BASIS OF PREPARATION

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

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

3.2 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention, except as otherwise stated in respective policies and notes hereunder. In these financial statements, except for the amounts reflected in statement of cash flows, all transactions have been accounted for on accrual basis.

3.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 the judgments about the 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 recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.4.1 Property, plant and equipment and investment property

The Company reviews the carrying amounts, rates of depreciation, useful lives and residual values of assets for possible impairment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding effect on the depreciation charge and impairment.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

3.4.2 Inventories

The Company reviews the net realizable value of inventories, including stock-in-trade, stores, spare parts and loose tools, to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of inventories with a corresponding effect on related cost and impairment.

3.4.3 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the previous decisions of appellate authorities on certain issues. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law.

3.4.4 Provision for contingencies

The Company discloses its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisor for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

3.4.5 Provision for doubtful receivables

The Company records its trade and other receivables after deducting appropriate provisions, if any, using expected credit loss method as explained in note 4.26.1 (d)

3.5 NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS

3.5.1 Standards, amendments and Interpretations adopted during the year

The Company has adopted the following amendments of International Accounting Standards which became effective for the current year:

IAS 12	Income taxes (Amendments);Amendmentsregarding income tax consequences of payments on financial instruments classified as equity.
IAS 23	Borrowing costs (Amendments); Borrowing costs eligible for capitalization
IAS 28	Investment in associates and joint ventures (Amendments);Amendments regarding long term interests in associates and joint ventures.
IAS 19	Employee benefits (Amendments); Amendments regarding plan amendments, curtailments or settlements.
IFRS 3	Business combinations (Amendments); Amendments regarding previously held Interests in a joint operation.
IFRS 9	Financial instruments (Amendments);Amendmentsregarding prepayment features with negative compensation and modifications of financial liabilities.
IFRS 11	Joint arrangements (Amendments); Re-measurement of previously held Interests in a joint operation.
IFRS 14	Regulatory deferral accounts - original issue.
IFRS 16	Leases; COVID-19 related rent concessions amendment.
IFRS 16	Leases; This standard superseded IAS 17 - 'Leases' upon its effective date.
IFRIC 23	Uncertainty over income tax; Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

The adoption of the above amendments to accounting standards did not have any significant impact on the financial statements, except some additional disclosures. Consequent to adoption of IFRS 16, changes in some accounting policies have been reflected in note 4.1

NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS- continued

3.5.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company as on the reporting date

The following new/revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standards or interpretations		**Effective date (reporting period beginning on or after**
IFRS 3	Business Combinations; Definition of a Business (Amendments)	January 01, 2020
IFRS 3	Business Combinations; Reference to the Conceptual Framework (Amendments)	January 01, 2022
IFRS 9/ IAS 39/ IFRS 7	Financial Instruments, Financial Instruments: Recognition and Measurement & Financial Instruments: Disclosures; Interest Rate Benchmark Reform (Amendments)	January 01, 2020
IFRS 10 / IAS 28	Consolidated Financial Statements & Investments in Associates and Joint Ventures; Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 1 / IAS 8	Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors; Definition of Material (Amendments)	January 01, 2020
IAS 1	Presentation of Financial Statements; Classification of liabilities as current or non-current (Amendments)	January 01, 2022
IAS 16	Property, Plant and Equipment; Proceeds before intended use (Amendments)	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts - Cost of fulfilling a contract (Amendments)	January 01, 2022
IFRS 9	Financial instruments; Fees in the ' 10 percent' test for derecognition of financial liabilities (Amendments)	January 01, 2022
IAS 41	Agriculture; Taxation in fair value measurements (Amendments)	January 01, 2022

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

International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 IFRS 16 - Leases

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC 15 'Operating leases - incentives' and SIC 27 'Evaluating the substance of transactions Involving the legal form of a lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with cumulative effect of initially applying standard recognised at the date of initial application and accordingly the Company is not required to restate prior year results. The Company also elected to use the recognition exception for lease contracts that, at the commencement date, have a lease term of twelve months or less and do not contain a purchase option (short term leases).

Adoption of IFRS 16 does not have any material impact on financial statements except reclassification of 'Leased assets' as 'Right-of-use assets' and 'Liabilities against assets subject to finance lease' as 'Lease Liabilities'.

4.1.1 Nature of the effect of adoption of IFRS 16

The Company has lease contracts for vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

4.1.2 Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

4.1.3 Leases previously accounted for as operating leases

The Company has only short-term leases for which the Company has opted to use the recognition exemptions for these lease contracts.

4.1.4 Right-of-use assets

As a result of adoption of IFRS 16, the Company has adopted following new accounting policy:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases vehicles for its operations. The Company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- The initial direct costs; and
- Restoration cost (if any).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Subsequently, right-of-use assets are recognized at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain re-measurements of the lease liability. The right-of-use asset is depreciated using the reducing balance method over the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

4.2 Property, plant and equipment

4.2.1 Owned

(a) Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

(b) Measurement

Property, plant and equipment except freehold land and capital work-in-progress (CWIP) are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and CWIP is stated at cost less any recognized impairment loss. Borrowing costs pertaining to erection / construction of qualifying assets are capitalized as part of the historical cost as stated in note 4.17.

All expenditure connected to the specific assets, incurred during installation and construction period, is carried under CWIP. These are transferred to specific assets as and when assets are available for intended use.

(c) Depreciation

Depreciation on all items of property, plant and equipment except freehold land and capital work-in-progress is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected period / pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in note 5.1.

Depreciation is charged on additions from the month in which an asset is available for use and no depreciation is charged for the month in which the asset is disposed of.

(d) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The assets so replaced, if any, other than those kept as stand-by, are retired. All other repair and maintenance cost is charged to income during the period in which it is incurred.

(e) Gains or losses on disposals

Gains and losses on disposal of assets are taken to the statement of profit or loss, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to unappropriated profit.

(f) Revaluation

Revaluation of land, building and plant and machinery is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of assets is recognized, net of deferred tax, in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of property, plant and equipment" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognized in statement of profit or loss, in which case the increase is first recognized in statement of profit or loss to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to statement of profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and depreciation based on the asset's original cost, net of deferred tax, is reclassified from revaluation surplus to unappropriated profit.

4.3 Investment property

Investment property is measured at cost, including transaction costs less impairment, if any. Subsequent expenditures are made part of cost as and when incurred.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on derecognition being difference between the net disposal proceeds and the carrying amount of the asset is recognized in statement of profit or loss in the period of derecognition.

4.4 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price and other directly attributable expenditures relating to their implementation and customization. It includes costs incurred in acquiring scientific or technical knowledge, systems, licenses, intellectual property, market knowledge and trademarks. These costs are amortized over their estimated useful life using straight line method at rates given under note 7 starting from the month of capitalization of assets.

4.5 Impairment of non-financial assets

The management assesses at each statement of financial position date whether there is any indication that a non-financial asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year except the impairment of property, plant and equipment which is adjusted against the existing revaluation surplus on the same assets, if any.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying value based on initial cost of the asset. Reversal of impairment loss is recognized as income.

4.6 Long term deposits

These are stated at cost or amortized cost which represents the fair value of consideration given.

4.7 Long term Investments

Long term investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

4.8 Stores, spare parts and loose tools

These are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. The cost of inventory is based on moving average cost. Cost of items in transit comprises cost accumulated up to the statement of financial position date. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale, which is generally equivalent to the estimated replacement cost. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.9 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined as:

Raw material at warehouse	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Trading goods	Weighted average cost
Waste and leftovers	Net realizable value

Cost in relation to work in process and finished goods represents the annual average cost which consists of prime cost and appropriate manufacturing overheads. Cost of raw materials consumed is accounted for by applying the annual average cost of both imported and local purchases.

Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost to be incurred to make such sale.

4.10 Trade debts, loans, advances and other receivables

These are initially measured at the fair value of the consideration receivable. Subsequently these are valued at amortized cost. These assets are written of when there is no reasonable expectation of recovery, based on the expected credit loss.

4.11 Foreign currency translations

Transactions in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistani Rupees at the exchange rates prevailing on the statement of financial position date except for those covered by forward contracts, if any. All exchange fluctuations are charged to statement of profit or loss for the period.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks and short-term running finances that are repayable on demand and form an integral part of the Company's cash management.

4.13 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognized in statement of profit or loss.

4.14 Share capital

Ordinary shares are classified as equity and recognised at their face value.

4.15 Dividend and revenue reserves appropriation

Dividend and movement in revenue reserves are recognized in the financial statements in the period in which these are approved.

4.16 Subordinated loans

The subordinated loans, for which repayment terms are not identified, are treated as equity at face value in accordance with the guideline provided through TR 32 - “Accounting Directors’ Loan” issued by the Institute of Chartered Accountants of Pakistan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.17 Borrowings and their costs

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost.

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

4.18 Taxation

4.18.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income and previous decisions taken by appellate authorities. The charge for current tax is calculated at the prevailing rates of taxation after taking into account tax credits, rebates and exemption available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Taxes paid during the year or withheld at source are shown as advance payments and are adjusted at the time of filing of Income Tax Return. Amount of tax paid in excess of tax payable as per Income Tax Return is booked as refundable.

4.18.2 Deferred

Deferred tax is provided using the statement of financial position 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. Deferred tax liabilities are recognized for all major taxable temporary differences. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime are 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 year 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 statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

4.19 Trade and other payables

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

4.20 Provision for gratuity

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision and payment of gratuity is made annually based on service period completed by each employee.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.21 Provisions

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

4.22 Contingencies and commitments

Contingencies and commitments unless those are actual liabilities, are not incorporated in the financial statements.

4.23 Revenue recognition

Revenue from local sale of goods be recognised at the point in time when control of goods is transferred to the customer, which is when the goods are dispatched to the customer and invoices are generated.

Revenue from various other transactions is recognized as follows:

- Processing income is recorded when goods are dispatched to customers and, simultaneously, invoices are raised.
- Export sales are recorded on shipment basis.
- Export rebate and Duty Drawbacks are accrued on the basis of actual export proceeds realized.
- Profit on deposits is accrued on time proportion basis by reference to the principal outstanding and applicable rate of return.
- Markup income is accrued on time basis by reference to the principal outstanding and at the agreed markup rate applicable.
- Dividend income is recognized when the Company's right to receive the dividend is established.
- Gains / (losses) on disposal of investments are included in income and are recognized on the date when transaction takes place.

4.24 Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- Receivables or payables that are stated with the amount of sales tax included;
- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statement of financial position.

4.25 Earnings per share

Basic Earnings Per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.26 *Financial instruments*

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

4.26.1 *Financial assets*

(a) Initial recognition and measurement

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss based on the Company's business model for managing the financial assets and their contractual cash flows characteristics.

With the exception of certain receivables, the Company initially measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(b) subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

- Financial assets at amortized cost;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets designated at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments, which are not held for trading, as equity instruments designated at fair value through OCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(d) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.26.2 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs, except subordinated loans and unclaimed dividend.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

(b) Subsequent measurement

Gains or losses on financial liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.26.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.26.4 Fair value of financial assets and liabilities

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. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the Inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

4.27 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.28 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

5. PROPERTY, PLANT AND EQUIPMENT	Notes	2020 Rupees	2019 Rupees
Operating property, plant and equipment	5.1	**2,573,275,441**	2,841,368,043
Capital work-in-progress	5.2	**-**	-
		2,573,275,441	2,841,368,043

5.1 Operating property, plant and equipment - As at June 30, 2020

PARTICULARS	COST / REVALUED AMOUNTS							DEPRECIATION CHARGE					NET BOOK VALUE	RATE
	As at June 30, 2019	Additions	Transfers from capital work-in-progress	Revaluation impact	Disposals	Transfers	As at June 30, 2020	Accumulated as at June 30, 2019	For the year	Accumulated on disposals	Transfers	Accumulated as at June 30, 2020	As at June 30, 2020	
	Rupees							Rupees						
Owned assets:														
Land - freehold (note 5.1.2)	67,350,000	-	-	150,000	-	-	**67,500,000**	-	-	-	-	-	**67,500,000**	
Buildings on freehold land: (note 5.1.2)														
- Factory building	452,869,375	-	-	41,732,997	-	-	**494,602,372**	173,953,777	15,181,927	-	-	189,135,704	**305,466,668**	5%
- Residential building	105,437,171	-	-	19,095,472	-	-	**124,532,643**	39,432,563	3,900,077	-	-	43,332,640	**81,200,003**	5%
	558,306,546	-	-	60,828,469	-	-	**619,135,015**	213,386,340	19,082,004	-	-	232,468,344	**386,666,671**	
Plant and machinery including generators (note 5.1.3)	3,611,901,124	10,111,010	-	(198,983,376)	-	-	**3,423,028,758**	1,287,213,415	108,576,397	-	-	1,395,789,812	**2,027,238,946**	5%
Power grid station	100,516,512	-	-	-	-	-	**100,516,512**	54,440,015	2,303,825	-	-	56,743,840	**43,772,672**	5%
Gas installations	18,739,816	-	-	-	-	-	**18,739,816**	6,034,799	635,251	-	-	6,670,050	**12,069,766**	5%
Electric installations	64,942,247	351,708	-	-	-	-	**65,293,955**	47,187,745	1,781,311	-	-	48,969,056	**16,324,899**	10%
Factory equipments	4,731,093	30,000	-	-	-	-	**4,761,093**	1,516,817	321,678	-	-	1,838,495	**2,922,598**	10%
Office equipments	4,672,952	74,500	-	-	-	-	**4,747,452**	2,617,030	212,593	-	-	2,829,623	**1,917,829**	10%
Computer equipments	2,105,346	19,000	-	-	-	-	**2,124,346**	1,464,297	215,204	-	-	1,679,501	**444,845**	33%
Telephone installations	616,224	-	-	-	-	-	**616,224**	440,625	17,560	-	-	458,185	**158,039**	10%
Furniture and fittings	1,178,936	-	-	-	-	-	**1,178,936**	924,623	25,431	-	-	950,054	**228,882**	10%
Arms and ammunition	27,800	-	-	-	-	-	**27,800**	22,510	529	-	-	23,039	**4,761**	10%
Weighing scale	2,476,075	-	-	-	-	-	**2,476,075**	911,359	156,472	-	-	1,067,831	**1,408,244**	10%
Tube well	45,000	-	-	-	-	-	**45,000**	37,282	772	-	-	38,054	**6,946**	10%
Vehicles	34,568,726	-	-	-	(5,932,500)	7,011,240	**35,647,466**	26,101,534	1,711,976	(2,438,917)	2,961,507	28,336,100	**7,311,366**	20%
	4,472,178,397	**10,586,218**	**-**	**(138,004,907)**	**(5,932,500)**	**7,011,240**	**4,345,838,448**	**1,642,298,391**	**135,041,003**	**(2,438,917)**	**2,961,507**	**1,777,861,984**	**2,567,976,464**	
Right-of-use assets:														
Vehicles	15,638,860	-		-	-	(7,011,240)	**8,627,620**	4,150,823	2,139,327	-	(2,961,507)	3,328,643	**5,298,977**	20%
	4,487,817,257	**10,586,218**	**-**	**(138,004,907)**	**(5,932,500)**	**-**	**4,354,466,068**	**1,646,449,214**	**137,180,330**	**(2,438,917)**	**-**	**1,781,190,627**	**2,573,275,441**	

PROPERTY, PLANT AND EQUIPMENT - continued

Operating property, plant and equipment

For comparative year as at June 30, 2019

PARTICULARS	COST / REVALUED AMOUNTS							DEPRECIATION CHARGE					NET BOOK VALUE	RATE
	As at June 30, 2018	*Additions*	*Transfers from capital work-in-progress*	*Revaluation impact*	*Disposals*	*Transfers*	*As at June 30, 2019*	*Accumulated as at June 30, 2018*	*For the year*	*Accumulated on disposals*	*Transfers*	*Accumulated as at June 30, 2019*	*As at June 30, 2019*	
	Rupees							*Rupees*						
Owned assets:														
Land - freehold (note 5.1.2)	67,350,000	-	-	-	-	-	67,350,000	-	-	-	-	-	67,350,000	
Buildings on freehold land: (note 5.1.2)														
- Factory building	448,157,929	4,711,446	-	-	-	-	452,869,375	159,429,194	14,524,583	-	-	173,953,777	278,915,598	5%
- Residential building	105,437,171	-	-	-	-	-	105,437,171	35,958,636	3,473,927	-	-	39,432,563	66,004,608	5%
	553,595,100	4,711,446	-	-	-	-	558,306,546	195,387,830	17,998,510	-	-	213,386,340	344,920,206	
Plant and machinery including generators (note 5.1.3)	3,395,283,678	27,153,281	189,464,165	-	-	-	3,611,901,124	1,170,181,271	117,032,144	-	-	1,287,213,415	2,324,687,709	5%
Power grid station	100,516,512	-	-	-	-	-	100,516,512	52,014,936	2,425,079	-	-	54,440,015	46,076,497	5%
Gas installations	18,739,816	-	-	-	-	-	18,739,816	5,366,114	668,685	-	-	6,034,799	12,705,017	5%
Electric installations	64,942,247	-	-	-	-	-	64,942,247	45,215,022	1,972,723	-	-	47,187,745	17,754,502	10%
Factory equipments	4,731,093	-	-	-	-	-	4,731,093	1,159,675	357,142	-	-	1,516,817	3,214,276	10%
Office equipments	4,610,952	62,000	-	-	-	-	4,672,952	2,394,335	222,695	-	-	2,617,030	2,055,922	10%
Computer equipments	1,946,846	158,500	-	-	-	-	2,105,346	1,169,325	294,972	-	-	1,464,297	641,049	33%
Telephone installations	616,224	-	-	-	-	-	616,224	421,114	19,511	-	-	440,625	175,599	10%
Furniture and fittings	1,178,936	-	-	-	-	-	1,178,936	896,366	28,257	-	-	924,623	254,313	10%
Arms and ammunition	27,800	-	-	-	-	-	27,800	21,922	588	-	-	22,510	5,290	10%
Weighing scale	2,476,075	-	-	-	-	-	2,476,075	737,503	173,856	-	-	911,359	1,564,716	10%
Tube well	45,000	-	-	-	-	-	45,000	36,424	858	-	-	37,282	7,718	10%
Vehicles	35,325,726	-	-	-	(757,000)	-	34,568,726	24,510,220	2,120,656	(529,342)	-	26,101,534	8,467,192	20%
	4,251,386,005	32,085,227	189,464,165	-	(757,000)	-	4,472,178,397	1,499,512,057	143,315,676	(529,342)	-	1,642,298,391	2,829,880,006	
Right-of-use assets:														
Vehicles	11,512,000	4,126,860	-	-	-	-	15,638,860	1,536,741	2,614,082	-	-	4,150,823	11,488,037	20%
	4,262,898,005	36,212,087	189,464,165	-	(757,000)	-	4,487,817,257	1,501,048,798	145,929,758	(529,342)	-	1,646,449,214	2,841,368,043	

5.1.1 Depreciation for the year has been allocated as follows:

	Notes	2020 Rupees	2019 Rupees
Cost of sales	**33**	**128,957,633**	137,155,069
Administrative expenses	**37**	**8,222,697**	8,774,689
		137,180,330	145,929,758

5.1.2 The land is located at M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh, measuring 134.70 Kanals (16.84 Acres) with building having covered area of 272,239 (2019: 272,239) square feet.

PROPERTY, PLANT AND EQUIPMENT - continued

5.1.3 Revaluation of freehold land, building on freehold land and plant and machinery was carried out on November 11, 2019 by an independent valuer, M/s Joseph Lobo (Private) Limited. Revaluation surplus on land and building amounting to Rs. 52.740million has been credited to surplus on revaluation of property, plant and equipment, net of related deferred tax. Devaluation on plant and machinery amounting to Rs. 172.035million, net of related deferred tax, has been recognized against existing surplus on revaluation of plant and machinery. The revaluations were carried out as detailed below:

Particulars of assets revalued	**Date of Revaluation**
Freehold land	Dec 31, 2007
Buildings on freehold land and plant and machinery	Jun 30, 2008
Freehold land, buildings on freehold land and plant and machinery	Jun 22, 2010
Freehold land, buildings on freehold land and plant and machinery	Jun 22, 2013
Freehold land, buildings on freehold land and plant and machinery	Jun 26, 2016
Freehold land, buildings on freehold land and plant and machinery	Nov 11, 2019

5.1.4 Basis used for latest revaluation of assets were as follows:

Particulars of assets revalued	**Basis of valuation**
Freehold land	Inquiries from estate agents and brokers for similar plots in the vicinity.
Buildings on freehold land	Present cost of similar construction and structure (including amenities) after applying appropriate depreciation.
Plant and machinery including generators	Evaluated present values of similar machinery based on make, model, specification and condition.

The fair values of all assets subject to revaluation model fall under level 2 of fair value hierarchy (i.e. significant observable inputs).

5.1.5 The Forced Sales Values of the revalued assets as on the date of latest revaluation i.e. November 11, 2019 was Rs. 1,900.000 million.

5.1.6 Had there been no revaluations, the related net book values of freehold land, buildings on freehold land and plant and machinery including generators would have been as follows:

	2020 Rupees	2019 Rupees
Freehold land	**1,834,237**	1,834,237
Buildings on freehold land	**111,771,609**	117,654,325
Plant and machinery including generators	**1,821,736,320**	1,907,255,399
	1,935,342,166	2,026,743,961

5.1.7 Property, plant and equipment have restrictions on title as these are subject to charges to secure bank borrowings as mentioned in note 22 and note 27.4.

5.2 Capital work-in-progress

Opening balance	-	401,751
Additions during the year	-	189,062,414
Transfers to operating property, plant and equipment	-	(189,464,165)
Closing balance	-	-

	Notes	2020 Rupees	2019 Rupees
6. INVESTMENT PROPERTY			
Land - at cost	**6.1**	**43,311,500**	43,311,500

6.1 This commercial land measuring 4 Marlas was acquired during 2018, at Defence Housing Authority (DHA), Lahore. Future use of this land is currently undetermined. The land is measured at cost model and no expenditures were incurred on it subsequent to its purchase. Moreover, there are no transfers to / from owned assets.

There are no restrictions as to title of this land. However, as per acquisition terms, the Company has obligation to construct it within three years of purchase, failing which a non-construction penalty will be payable as per DHA policy till commencement of construction.

	Notes	2020 Rupees	2019 Rupees
7. INTANGIBLE ASSETS			
Computer Software			
Cost		**1,430,092**	1,430,092
Accumulated amortization:			
Opening Balance		**(1,307,375)**	(1,021,357)
Amortization charge for the year	**37**	**(46,018)**	(286,018)
Closing balance		**(1,353,393)**	(1,307,375)
Book value as on June 30		**76,699**	122,717
Rate of amortization		**20%**	20%
8. LONG TERM DEPOSITS			
Security deposits against:			
Utilities	**8.1**	**4,622,377**	4,622,377
Right-of-use assets subject to lease liabilities		**1,240,000**	1,885,400
Others		**555,000**	555,000
		6,417,377	7,062,777
Margin deposit against bank guarantee	**8.2**	**6,200,000**	6,200,000
		12,617,377	13,262,777

8.1 These include security deposits of Rs. 4.590 million (2019: Rs. 4.590 million) deposited with Multan Electric Power Company (MEPCO) against Electric Connections at mills.

8.2 This had been kept as cash margin against a bank guarantee issued in favor of Sui Northern Gas Pipelines Limited (SNGPL).

	Notes	2020 Rupees	2019 Rupees
9. LONG TERM INVESTMENT			
Amortized cost:			
Opening balance		**17,837,014**	-
Addition during the year		**1,900,000**	17,700,000
Profit for the year		**-**	137,014
		1,900,000	**17,837,014**
Redeemed during the year		**(19,600,000)**	-
Profit written off	**38**	**(137,014)**	-
		-	**17,837,014**

9.1 These represented the Sales Tax Refund Bonds received by the Company during 2019, in its Central Depository Company (CDC) account, against sales tax refunds under section 67A of the Sales Tax Act, 1990. These were subject to simple annual profit at the rate of 10% per annum payable on maturity of three years. However, these have been redeemed during the year and the profit earlier recorded by the Company has been written off.

	Notes	2020 Rupees	2019 Rupees
10. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**30,069,385**	31,136,145
Spare parts	**10.1**	**47,757,125**	29,067,268
Loose tools		**706,638**	902,750
Less: allowance for obsolescence and slow moving items	**10.2**	**(198,520)**	(165,474)
		78,334,628	60,940,689

10.1 These include machinery parts in transit amounting to Rs. 12.101 million (2019: nil)

	Notes	2020 Rupees	2019 Rupees
10.2 Allowance for obsolescence and slow moving items			
Opening balance		**165,474**	130,703
Add: Provision made during the year	**33**	**33,046**	34,771
Closing balance		**198,520**	165,474
11. STOCK-IN-TRADE			
Raw material	**33.1**	**522,685,648**	634,847,304
Work-in-process	**33**	**71,711,245**	73,290,934
Finished goods	**33**	**504,194,033**	400,422,104
	11.1	**1,098,590,926**	1,108,560,342

11.1. Stock-in-trade has been measured at lower of cost and net realizable value. Adjustments amounting to Rs. 10.995 million (2019: nil) have been made to closing inventory to write down stocks to their net realizable value.

	Notes	2020 Rupees	2019 Rupees
12. TRADE DEBTS			
Considered good			
Foreign	**12.1**	**71,289,976**	5,871,884
Local - unsecured		**538,158,416**	475,661,842
	12.2	**609,448,392**	481,533,726

12.1 Out of total foreign debtors, Rs. 18.534million (2019:Rs. 5.872million) are secured against Letters of Credits.

TRADE DEBTS - continued

12.2 Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition, where appropriate. All trade debts are non-interest bearing. Ageing of trade debts, outstanding as at reporting date, is as follows:

Year	Total	Neither past due nor impaired (less than 90 days)	Past due but not impaired		
			90-180 days	181-365 days	More than one year but less than two years
	Rupees				
2020	**609,448,392**	**572,038,742**	**26,078,014**	**11,321,005**	**10,631**
2019	481,533,726	467,956,703	5,868,107	3,424,513	4,284,403

	Notes	2020 Rupees	2019 Rupees
13. *LOANS AND ADVANCES - considered good*			
Advance payments:			
To employees			
Executives / key management personnel	13.1	**57,000**	-
Others		**1,001,255**	718,264
		1,058,255	718,264
To suppliers		**15,249,563**	20,313,711
Income tax		**79,659,821**	90,749,017
Letters of credits		**17,008**	6,570
		95,984,647	111,787,562

13.1 The maximum aggregate amount due from executives / key management personnel at any month end during the year was Rs. 0.163 million (2019: Rs. 1.312 million). These advances were not impaired and aged less than one year.

	Notes	2020 Rupees	2019 Rupees
14. *DUE FROM GOVERNMENT*			
Sales tax		**11,214,770**	27,018,156
Income tax		**42,094,519**	30,516,050
Duty drawback of taxes on export sales		**-**	241,589
		53,309,289	**57,775,795**
15. *OTHER RECEIVABLES*			
Provisional payments of taxes	15.1	**3,018,536**	2,472,623
Others	15.2	**4,086,631**	3,636,882
		7,105,167	6,109,505

15.1 This comprises of following:

	Notes	2020 Rupees	2019 Rupees
Demand for income tax - tax year 2012		**-**	374,279
Demand for Sales tax - various periods	31.1.4	**198,344**	198,344
Payments under the Duty and Tax Remission on Exports (DTRE) scheme	31.1.2	**2,820,192**	1,900,000
		3,018,536	2,472,623

15.2 These include a demand draft of Rs. 3.576 million (2019: Rs. 3.576 million) paid to Excise and Taxation Department as mentioned in note 31.1.1.

	Notes	2020 Rupees	2019 Rupees
16. SHORT TERM INVESTMENTS			
At fair value through profit or loss		**46,680**	52,000

The Company holds 4,000 (2019: 4,000) shares of a listed company (Lalpir Power Limited). The face value of the shares is Rs. 10 per share. These shares have been valued at the market price prevailing on Pakistan Stock Exchange Limited as at the reporting date. During the year, unrealized loss of Rs. 0.005 million (2019: Rs. 0.025 million) on remeasurement of these investments has been recorded in other operating expenses.

17. CASH AND BANK BALANCES

	Notes	2020 Rupees	2019 Rupees
Cash in hand		**1,019,916**	312,993
Cash at banks - in current accounts		**11,322,794**	16,452,250
	42.2	**12,342,710**	16,765,243

18. SHARE CAPITAL

	2020 Rupees	2019 Rupees
Authorized share capital: 20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each.	**200,000,000**	200,000,000
Issued, subscribed and paid up share capital: 14,408,248.8 (2019: 14,408,248.8) ordinary shares of Rs.10 each issued for cash.	**144,082,488**	144,082,488

18.1 There is no movement in share capital during the reporting years.

18.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.

19. SHARE PREMIUM

This includes share premium received during the previous years as detailed below:

	2020 Rupees	2019 Rupees
Rs. 4 per share on 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001	**11,959,680**	11,959,680
Rs. 10 per share on 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004	**11,389,920**	11,389,920
Rs. 5 per share on 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007	**9,396,684**	9,396,684
	32,746,284	32,746,284

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

20.1 As detailed in note 5.1.3, revaluation of freehold land, building on freehold land and plant and machinery was carried out on November 11, 2019. The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders of the Company.

	Notes	2020 Rupees	2019 Rupees
20.2 The breakup of revaluation surplus at the reporting date is as follows:			
Opening balance		**742,422,219**	773,129,285
Impact of revaluation carried out during the year - net		**(138,004,907)**	-
Relevant deferred tax	**25.1**	**18,710,319**	-
		(119,294,588)	-
Less: Transferred to unappropriated profit on account of:			
Incremental depreciation		**(28,915,029)**	(35,380,677)
Relevant deferred tax		**3,915,961**	4,673,611
		(24,999,068)	(30,707,066)
Closing balance		**598,128,563**	742,422,219

21. SUBORDINATED LOANS

Unsecured- from related parties

	Notes	2020 Rupees	2019 Rupees
Mr. Muhammad Javed Anwar		**27,500,000**	27,500,000
Mr. Muhammad Haris		**35,000,000**	35,000,000
Mr. Muhammad Jahanzaib		**6,875,000**	6,875,000
Mr. Muhammad Aurangzeb		**6,875,000**	6,875,000
Mr. Ahmad Hassan		**6,875,000**	6,875,000
Mrs. Faiza Parvez		**3,437,500**	3,437,500
Mrs. Waheeda Parvez		**18,437,500**	18,437,500
	21.1	**105,000,000**	105,000,000

21.1 These interest free loans were obtained during the years ended June 30, 2008 and 2009. These loans are subordinated to finances from the banks. These are repayable at the discretion of the Company after the repayments of related long term and short term finances and clearance from the banks. Hence, repayment terms are not identified.

22. LONG TERM LOANS AND FINANCING

From banking companies - secured

Name of the Bank / Type of Facility	Collaterals / Securities	2020 Rupees	2019 Rupees	Total no. of installments	No. of installments deferred (note 22.3)	Remaining no. of installments	Frequency of payment	Repayment commencing from	(Revised) maturity date	Rate of markup
Habib Bank Limited (HBL)										
Demand Finance (note 22.1)	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	-	10,571,430	48	-	-	Monthly	27-Jul-16	-	6 Months KIBOR + 1.50%
		-	10,571,430							
Allied Bank Limited (ABL)										
LTFF I - Part 1	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	21,507,619	25,809,144	12	2	5	Semi Annual	23-Dec-16	08-May-23	SBP Rate + 3.00%
LTFF - I - Part 2 (A)		14,856,556	20,799,178	12	2	5	Semi Annual	07-Mar-17	08-May-23	
LTFF - I - Part 2 (B)		-	945,819	12	-	-	Semi Annual	02-Dec-16	-	
LTFF - II		99,016,431	123,770,537	12	2	8	Semi Annual	24-Oct-18	24-Apr-25	SBP Rate + 1.50%
LTFF - III (note 22.2)	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company.	46,756,446	-	8	8	8	Quarterly	31-Jan-21	31-Jan-23	SBP Rate + 2.00%
		182,137,052	171,324,678							
United Bank Limited (UBL)										
Demand Finance (NIDF)	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	16,841,598	22,455,465	12	2	3	Semi Annual	24-Dec-15	24-Jun-22	6 Months KIBOR + 1.50%
LTFF		9,790,080	16,316,800	10	2	3	Semi Annual	15-Jan-17	15-Jul-22	SBP Rate + 3.00%
		26,631,678	38,772,265							
Bank Alfalah Limited (BAFL)										
LTFF	- 1st exclusive charge over specific machinery and joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of working directors of the Company. - Subordination of loans from related parties.	-	5,656,830	20	-	-	Quarterly	05-Mar-15	-	SBP Rate + 2.50%
Term Finance (TFI)		-	7,997,942	20	-	-	Quarterly	05-Mar-15	-	6 Months KIBOR + 1.50%
Term Finance (TFII)		10,533,120	18,432,960	20	4	4	Quarterly	05-Jun-16	05-Mar-22	
		10,533,120	32,087,732							

Long term loans and financing - continued

Name of the Bank / Type of Facility	Collaterals / Securities	2020 Rupees	2019 Rupees	Total no. of installments	No. of installments deferred (note 22.3)	Remaining no. of installments	Frequency of payment	Repayment commencing from	(Revised) maturity date	Rate of markup
Bank Al Habib Limited (BAHL)										
Term Finance - III	- First exclusive charge over specific machineries and allied parts and joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Promissory notes.	-	4,672,092	20	-	-	Quarterly	16-Nov-14	-	6 Months KIBOR + 1.50%
Term Finance - VI		-	4,050,000	20	-	-	Quarterly	17-Mar-15	-	
Term Finance - VII		1,917,749	2,343,916	24	-	18	Quarterly	17-Feb-19	17-Nov-24	
Term Finance - VIII		19,629,251	24,203,084	24	-	17	Quarterly	28-Dec-18	30-Sep-24	
Term Finance - X		7,656,771	12,048,400	36	-	20 to 22	Monthly	25-Mar-19	05-Apr-22	
		29,203,771	47,317,492							
National Bank of Pakistan (NBP)										
Demand Finance	- Joint Pari Passu charge on fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company.	11,443,607	14,964,719	24	4	13	Quarterly	09-Nov-17	07-Aug-24	6 Months KIBOR + 1.50%
Demand Finance - II / LTFF - II (note 22.5)		159,126,379	166,044,917	24	4	23	Quarterly	12-May-20	12-Feb-27	SBP Rate + 1.50%
LTFF - I		39,339,718	49,830,310	24	4	15	Quarterly	07-May-18	07-Feb-25	SBP Rate + 1.50%
		209,909,704	230,839,946							
Soneri Bank Limited										
LTFF	- Joint pari passu charge over present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	92,857,156	111,428,578	14	2	10	Semi Annual	15-Jul-18	15-Jan-26	SBP Rate + 3.00%
		92,857,156	111,428,578							
		551,272,481	642,342,121							
Adjustment pertaining to fair value of loan at below market interest rate:										
Difference of loan received and fair value of loan		**(4,576,438)**	-							
Amortization of loan		**293,000**	-							
	Note 24	**(4,283,438)**	-							
Total loans and finances		**546,989,043**	642,342,121							
Less: Current portion classified under current liabilities (note 28)		**(37,132,333)**	(149,744,213)							
Long term loans and finances		**509,856,710**	492,597,908							

Long term loans and financing - continued

22.1 Demand finance from HBL has been fully paid during the year. However, securities have not yet been vacated.

22.2 This represents long term finance received from Allied Bank Limited under 'Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns' (the Scheme) introduced by State Bank of Pakistan to support the industry during COVID-19 period. According to conditions of the Scheme, the Company has provided an undertaking to not lay off its workers / employees at least during three months from the date of first disbursement (June 24, 2020) except in case of any disciplinary action. The total facility available under this scheme amounts to Rs. 83.000 million (2019: nil), of which Rs. 36.243 million (2019: nil) remained unutilized at the reporting date.

22.3 During the year, principal repayments for some finances have been deferred for one year as per COVID-19 pandemic relief package of the State Bank of Pakistan. However, Bank Alfalah Limited will not defer the loan beyond the date of effectiveness of demerger of the Company as stated in note 1.1.

22.4 Effective rate of markup ranged from 3.50% to 14.99% (2019: 3.50% to 12.48%) per annum.

22.5 During the year, this loan has been converted to LTFF - II. Accordingly, the markup rate has been revised from 6MK + 1.5% per annum to SBP rate + 1.5% per annum.

23. LEASE LIABILITIES	Notes	2020 Rupees	2019 Rupees
From banking companies - secured			
Opening balance		**10,509,835**	9,329,663
Availed during the year		**-**	4,028,000
Less: Payments made during the year		**(6,070,577)**	(2,847,828)
		4,439,258	10,509,835
Less: Current portion	28	**(2,331,052)**	(3,489,135)
Installment due within next twelve months		**2,108,206**	7,020,700

23.1 The Company acquired vehicles under lease arrangements from banking companies. These liabilities, during the year, were subject to finance cost charged at the rate ranging from 14.35%to 20.02%(2019: 8.90% to 16.13%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease term. The lease finance facilities are secured against postdated cheques given by the Company.

23.2 Reconciliation of minimum lease payments and their present value is as follows:

	2020		2019	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**	Minimum Lease Payments	Present Value of Minimum Lease Payments
	Rupees			
Within one year	**2,697,049**	**2,331,053**	4,542,645	3,489,135
After one year but not later than five years	**2,139,022**	**2,108,206**	7,592,895	7,020,700
	4,836,071	**4,439,259**	12,135,540	10,509,835
Less: Finance cost allocated to future periods	**(396,812)**	**-**	(1,625,705)	-
Present value of minimum lease payments	**4,439,259**	**4,439,259**	10,509,835	10,509,835
Less: Current portion	**(2,331,053)**	**(2,331,053)**	(3,489,135)	(3,489,135)
	2,108,206	**2,108,206**	7,020,700	7,020,700

24. DEFERRED INCOME - GOVERNMENT GRANT	Notes	2020 Rupees	2019 Rupees
Government grant recognized on loan at below market interest rate	22.2	**4,576,438**	-
Less: amortized to statement of profit or loss	39	**(293,000)**	-
		4,283,438	-
Current portion	28	**(2,674,588)**	-
		1,608,850	-

24.1 Due to the effects of COVID-19 pandemic, as stated in note 2, the State Bank of Pakistan (SBP) took various measures to support the economy. As a part of it, SBP introduced a refinance scheme as detailed in note 22.2. The Company availed this scheme and recognized government grant in accordance with IAS-20 'Accounting for government grants and disclosure of government assistance'.

	Notes	2020 Rupees	2019 Rupees
25. DEFERRED TAXATION - net			
The net deferred taxation liability comprises of tax on temporary differences arising due to:			
Credit balance arising in respect of:			
- Accelerated tax depreciation allowances and surplus on revaluation of property, plant and equipment		**246,614,249**	260,810,069
- Exchange gain		**128,031**	170,946
- Profit on Sales Tax Refund Bonds		**-**	18,099
Debit balance arising in respect of:			
- Unused tax losses		**(6,016,252)**	(3,694,639)
- Minimum tax paid in excess of normal tax		**(51,178,088)**	(42,425,063)
- Provisions		**(2,082,776)**	(921,194)
		187,465,164	213,958,218

25.1 Reconciliation of deferred tax liability is as follows:

	Notes	2020 Rupees	2019 Rupees
Opening deferred tax liability		**213,958,218**	206,075,724
(Reversal) / charge for the year:			
To statement of profit or loss	***40***	**(7,782,735)**	7,882,494
To statement of other comprehensive income	***20.2***	**(18,710,319)**	-
Closing deferred tax liability		**187,465,164**	213,958,218

25.2 The deferred tax asset on minimum tax of Rs. 9.974 million (2019: nil) relating to tax year 2016 has not been recognized in these financial statements as the management estimates that sufficient taxable profits will not be available in near future against which these deductible temporary differences can be utilized. This minimum tax would expire in the year 2021.

26. TRADE AND OTHER PAYABLES

	Notes	2020 Rupees	2019 Rupees
Creditors		**583,477,776**	489,582,778
Advances from customers - unsecured		**9,389,250**	5,780,867
Accrued liabilities	**26.1**	**204,012,160**	168,499,382
Taxes deducted at source		**9,018,563**	10,456,682
Sales tax payable		**39,932,817**	-
Workers' Profit Participation Fund	**26.2**	**10,422,710**	6,808,249
Workers' Welfare Fund	**26.3**	**3,960,630**	280,575
		860,213,906	681,408,533

26.1 These include Rs. 1.012 million (2019: Rs. 1.012 million) being salary payable to chief executive and directors, Rs. 1.083 million (2019: Rs. 1.001 million) being salary payable to executives / key management personnel and Rs. 0.250 million (2019: Rs. 0.250 million) payable to a director in respect of head office rent.

		Notes	2020 Rupees	2019 Rupees
	TRADE AND OTHER PAYABLES - continued			
26.2	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		**6,808,249**	3,435,549
	Add: Allocation for the year	**38**	**10,422,710**	6,808,249
	Interest on Workers' Profit Participation Fund	**39**	**355,475**	125,280
			17,586,434	10,369,078
	Less: Payment made during the year		**(7,163,724)**	(3,560,829)
			10,422,710	6,808,249
26.3	**Workers' Welfare Fund**			
	Balance at the beginning of the year		**280,575**	280,575
	Add: Provision for the year	**38**	**3,680,055**	-
	Less: Payment made during the year		**-**	-
			3,960,630	280,575

27. SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES

From banking companies - secured	Notes	2020 Rupees	2019 Rupees
Short term running finances	**27.1 & 42.2**	**175,740,601**	279,985,896
Short term finances (other than running finances)	**27.1**	**699,629,532**	820,814,769
Export finances	**27.2 & 27.3**	**45,537,100**	37,900,000
	27.3 & 27.4	**920,907,233**	1,138,700,665

27.1 Short term finance facilities available from commercial banks under markup arrangements aggregate to Rs. 1,750.458 million (2019: Rs. 1,757.013 million) of which facilities aggregating Rs. 875.088 million (2019: Rs. 656.212 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 8.19% to 16.31% (2019: 7.67% to 15.30%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2021. Moreover, out of total facilities, facilities amounting Rs. 125.000 million from United Bank Limited have expired on February 28, 2020, renewal of which is under process.

27.2 The Company has obtained export finance facilities (including facilities for foreign currency finances and foreign bills purchase) from commercial banks aggregating to Rs. 950.055 million (2019: Rs. 1,147.987 million) of which facilities aggregating Rs. 904.518 million (2019: Rs. 1,110.087 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 2.25% to 15.49% (2019: 7.16% to 14.99%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2021.

27.3 Facilities available for issuance of letters of credit, inland bills purchase and bank guarantees aggregate to Rs. 580.979 million (2019: Rs. 574.000 million) which include One Time Transaction (OTT) facility of Rs. 7.500 million (2019: nil). Facilities aggregating Rs. 486.211 million (2019: Rs. 486.450 million) remained unutilized at year end. These facilities are expiring, if not renewed, on various dates by March 31, 2021.

27.4 The aggregate facilities are secured against pledge of stocks, ranking charge and joint pari passu charge on present and future current and fixed assets of the Company, lien on import/export documents, buy back indemnities, promissory notes, counter guarantees of the company, trust receipts, subordination of loans from related parties and personal guarantees of sponsoring directors of the Company along with their personal net worth statements. The carrying value of pledged goods as on June 30, 2020 is Rs. 714.154 million (2019: Rs. 918.682 million).

	Notes	2020 Rupees	2019 Rupees
28. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term loans and financing - form banking companies - secured:			
Habib Bank Limited		-	10,571,430
Allied Bank Limited		**15,990,635**	39,615,052
Bank Alfalah Limited		**2,633,280**	24,187,893
Bank Al Habib Limited		**9,391,628**	18,113,720
National Bank of Pakistan		**3,502,926**	20,930,242
Soneri Bank Limited		-	18,571,422
United Bank Limited		**5,613,864**	17,754,454
	22	**37,132,333**	149,744,213
Lease liabilities - secured	**23**	**2,331,052**	3,489,135
Deferred income - government grant	**24**	**2,674,588**	-
		42,137,973	153,233,348
29. ACCRUED FINANCE COST - secured			
Long term loans and financing		**8,047,346**	14,399,170
Short term finances		**29,599,095**	38,140,820
		37,646,441	52,539,990
30. PROVISION FOR TAXATION			
Opening Balance		**70,795,589**	31,838,391
Add: provision made during the year	**40**	**89,459,301**	70,795,589
(Less) / add: prior year adjustment		**(10,432,881)**	9,723,083
Payments / adjustments against completed assessments		**(60,362,708)**	(41,561,474)
Closing balance		**89,459,301**	70,795,589

30.1 The Deputy Commissioner Inland Revenue, Multan passed an order dated June 30, 2017 under section 121(1)(d) of the Income Tax Ordinance, 2001 raising demand of Rs. 285.655 million for tax year 2011. The Company filed an appeal with the Commissioner Inland Revenue-Appeals (CIR-Appeals), Multan contending that the impugned order was barred by time limitation and was made ex-parte on the same date as the date of receipt of show cause notice. The CIR-Appeals annulled the impugned order and decided the case in favor of the Company through its order dated October 31, 2017. However, the Commissioner Inland Revenue (Multan Zone) filed an appeal with the Appellate Tribunal Inland Revenue Lahore in February, 2018. The appeal is pending for adjudication and the Company expects favorable outcome. Accordingly, no provision has been made in these financial statements.

31. CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 During the previous years, the Excise and Taxation Department Karachi imposed infrastructure cess/excise duty of Rs. 7.153 million on account of machinery imported by the Company. The Company did not accept it and filed a suit in Sindh High Court, Karachi against said levy. In 2013, on the basis of interim order passed by Sindh High Court, a bank guarantee amounting to Rs. 3.576 million had been given by the Company in favor of the Director Excise and Taxation, Karachi. The Company had also paid a demand draft of Rs. 3.576 million (50% of the disputed amount) to Excise and Taxation Department. The amount of demand draft is classified as 'Other receivables' in these financial statements (note 15.2).

Contingencies - continued

In another similar case, the company had given a bank guarantee of Rs. 7.200 million (2019: Rs. 7.200 million) to the Director Excise and Taxation, Karachi against disputed amount of infrastructure cess for release of imported goods. The decision of Sind High Court on Infrastructure cess is pending. The Company expects favorable decision and has not accounted for any liability in this regard.

31.1.2 In 2017, the Collectorate of Customs, Multan - Audit Cell conducted the post exportation audit of documents submitted regarding DTRE approval reference 14/10012015 and raised demand of Rs. 6.833 million in its report. The Company contested the case with the Collectorate of (Customs) Adjudication. The Collectorate of (Customs) Adjudication passed an Order for recovery of Rs. 5.159 million along with default surcharge, additional duties and taxes. The Company had filed an appeal before the Appellate Tribunal (Customs) Lahore dated November 01, 2017, which is pending adjudication. The Company had paid Rs. 2.820 million provisionally under protest subject to the condition that on decision of Appeal in favor of the Company, this amount will be refunded to the Company. The amount paid is classified in 'Other receivables' (note 15.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.

31.1.3 In 2018, the Deputy Commissioner (DC) Punjab Revenue Authority issued a notice to the Company to explain the short deduction and deposit of Sales Tax on Services for the period from March 2015 to June 2016. The notice concerned an impugned amount of Rs. 25.427 million. The Company explained the matter to the DC contesting that the notice was based on assumptions only. The DC did not accept the arguments of the Company. The Company, being aggrieved, applied to the Honorable Lahore High Court for stay against the impugned notice, which the honorable court allowed. The Company expects that the impugned notice shall be withdrawn and hence has not accounted for any liability in these financial statements in this regard.

31.1.4 In 2019, the Deputy Commissioner Inland Revenue (DCIR) issued a show cause notice to the Company regarding evasion of sales tax, further tax and undue adjustment of inadmissible input tax on account of sales/purchases from unregistered/blacklisted persons during the period from 2013 to 2016. The Company contested the case through its legal counsel. However, dissatisfied with the reply and evidences provided by the Company, the DCIR made order against the Company to raise a demand of Sales tax and further tax amounting to Rs. 1.983 million as well as penalty of Rs. 0.108 million. The Company did not accept the order and filed an appeal with the Commissioner Inland Revenue (Appeals) dated January 11, 2019 which is pending adjudication. Moreover, in order to prevent the recovery of disputed amount by FBR, the Company also paid Rs. 0.198 million being 10% of the raised demand as per section 140 of the Income Tax Ordinance, 2001. This amount is classified in 'Other receivables' (note 15.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.

31.1.5 During the year, a show cause notice has been served by the Punjab Revenue Authority (PRA) on November 11, 2019 which raised the demand of Rs. 8.294 million in respect of non deposit of Sales Tax on Services for the period from July 2018 to June 2019. The proceedings are in process, while the Honorable Lahore High Court has extended an interim relief by directing that proceedings under the impugned show cause notice will continue, however, no final order shall be passed, till the reporting date. The Company expects that the impugned notice shall be withdrawn and hence has not accounted for any liability in these financial statements in this regard.

31.1.6 As mentioned in note 8.2, bankers of the Company have given guarantees to SNGPL amounting to Rs. 77.715 million (2019: Rs. 74.346 million) on behalf of the Company.

31.1.7 Refer to contents of the note 30.1.

Contingencies - continued

31.1.8 The Company issued various postdated cheques of Rs. 189.288 million (2019: Rs. 207.042 million) in favor of Collector of Customs, Multan against the amount of Sales Tax, Customs Duty and Income Tax on import of cotton yarn, chemical, packing material under Duty and Tax Remission for Exports (DTRE) Scheme. These cheques will be returned to the Company after complying with the formal requirements.

31.2 Commitments

31.2.1 The Company's commitments other than capital expenditure; against letter of credit outstanding as at June 30, 2020 amount to Rs. 6.276 million (2019: Rs. 2.427 million).

31.2.2 Foreign bills discounted outstanding as at June 30, 2020 aggregated Rs. 41.702 million (2019: Rs. 106.021 million).

	Notes	2020 Rupees	2019 Rupees
32. SALES - net			
Local sales - gross:			
Yarn		**1,185,233,583**	1,544,738,784
Fabric		**2,290,905,840**	1,642,529,667
Waste		**172,983,754**	133,087,303
Cotton seed		**38,251,840**	69,403,014
Processing income		**5,955,300**	1,219,061
		3,693,330,317	3,390,977,829
Less: sales tax			
Yarn		**(160,192,864)**	-
Fabric		**(332,869,858)**	-
Waste		**(25,134,402)**	(3,627)
Cotton seed		**-**	(369,593)
Processing income		**(865,300)**	-
		(519,062,424)	(373,220)
Local sales - net		**3,174,267,893**	3,390,604,609
Export sales - gross:			
Yarn		**2,722,838,462**	1,700,009,005
Fabric		**2,037,384,210**	2,183,380,194
		4,760,222,672	3,883,389,199
Less: sales tax on sales made through SPOs	**32.1**	**(583,076,028)**	-
Export sales - net	**32.1 & 32.2**	**4,177,146,644**	3,883,389,199
		7,351,414,537	7,273,993,808

32.1 Export sales include local sales of Rs. 3,429.859 million - net of sales tax (2019: Rs. 3,202.810 million) made through Standardized Purchase Orders (SPOs).

32.2 Loss aggregating Rs. 0.162 million - net (2019: Gain of Rs. 4.321 million - net) upon realization of foreign currency export debtors has been grouped under export sales.

	Notes	2020 Rupees	2019 Rupees
33. COST OF SALES			
Raw material consumed	33.1	**5,696,930,796**	5,685,429,276
Salaries, wages and other benefits	33.2	**360,809,423**	313,345,034
Stores and spare parts consumed		**90,178,683**	74,988,291
Allowance for obsolete and slow moving items	10.2	**33,046**	34,771
Packing materials consumed		**44,876,766**	49,223,564
Chemicals consumed		**49,831,291**	47,212,287
Rent, rates and taxes		**137,656**	1,800,000
Processing charges		**-**	303,430
Power and fuel		**514,696,307**	496,962,540
Repair and maintenance		**14,732,073**	12,447,830
Insurance		**13,426,451**	12,342,362
Other manufacturing expenses		**-**	49,770
Depreciation on operating property, plant and equipment	5.1.1	**128,957,633**	137,155,069
		6,914,610,125	6,831,294,224
Adjustment of work-in-process:			
Opening stock		**73,290,934**	52,969,655
Closing stock	11	**(71,711,245)**	(73,290,934)
		1,579,689	(20,321,279)
Cost of goods manufactured		**6,916,189,814**	6,810,972,945
Adjustment of finished goods:			
Opening stock		**400,422,104**	403,706,435
Closing stock	11	**(504,194,033)**	(400,422,104)
		(103,771,929)	3,284,331
		6,812,417,885	6,814,257,276
33.1 Raw material consumed			
Opening stock		**634,847,304**	413,093,382
Purchases including direct expenses			
Outside purchases		**5,392,710,466**	5,533,253,168
Cost transferred from ginning factory	33.1.1	**188,819,065**	370,680,837
Cotton cess		**3,239,609**	3,249,193
Purchases including direct expenses		**5,584,769,140**	5,907,183,198
		6,219,616,444	6,320,276,580
Less: Closing stock	11	**(522,685,648)**	(634,847,304)
		5,696,930,796	5,685,429,276

	Notes	2020 Rupees	2019 Rupees

33.1.1 Cost transferred from ginning factory

The Company acquired a ginning factory on operating lease from its associated undertaking. The total cost of production as per below detail has been transferred to spinning section as raw materials cost.

		2020 Rupees	2019 Rupees
Raw material consumed		**180,459,691**	357,880,365
Salaries, wages and other benefits		**3,857,282**	3,714,727
Stores and spare parts consumed		**765,435**	1,690,247
Lease charges		**221,952**	452,964
Power and fuel		**1,930,432**	3,436,088
Vehicles running and maintenance		**252,825**	332,419
Printing, stationery and communication		**78,462**	82,420
Repair and maintenance		**766,232**	1,298,145
Insurance		**393,418**	1,743,226
Bank charges		**59,515**	-
Others		**33,821**	50,236
Transferred to spinning section		**188,819,065**	370,680,837

_33.2_ These include Rs. 18.679 million (2019: Rs. 12.558 million) in respect of staff gratuity.

34. OTHER INCOME

	Notes	2020 Rupees	2019 Rupees
Income from financial assets:			
Profit on Sales Tax Refund Bonds	**9.1**	-	137,014
Dividend Income		-	4,000
Duty Drawback of taxes on export sales		-	317,329
Gain on exchange rate fluctuation - net		**945,369**	1,294,112
		945,369	1,752,455
Others:			
Gain on disposal of property, plant and equipment		-	262,342
Others		-	449,300
		945,369	2,464,097

35. PROFIT / (LOSS) ON TRADING

		2020 Rupees	2019 Rupees
Local sale of yarn and fabric (net of sales tax of Rs. 836,587 (2019: nil))		**4,921,100**	985,600
Less: purchase and related expenses		**(4,696,800)**	(1,000,445)
		224,300	(14,845)

36. DISTRIBUTION COST

	Notes	2020 Rupees	2019 Rupees
Salaries, wages and other benefits	**36.1**	**2,607,550**	4,586,021
Commission on:			
Local sales		**11,187,639**	16,299,704
Export sales		**19,496,553**	27,118,970
Freight, forwarding and others on export sales		**6,205,426**	5,702,729
Freight on local sales		**546,000**	-
Export development surcharge		**1,707,565**	1,759,373
Foreign bank charges and other export expenses		**4,366,346**	5,599,853
		46,117,079	61,066,650

_36.1_ These include Rs. 0.240 million (2019: Rs. 0.583 million) in respect of staff gratuity.

37. ADMINISTRATIVE EXPENSES

	Notes	2020 Rupees	2019 Rupees
Directors' meeting fee	44.1	26,000	30,500
Directors' remuneration		13,200,000	11,200,000
Staff salaries and other benefits	37.1	31,651,278	28,639,690
Vehicles running and maintenance		6,543,369	6,905,755
Utilities		1,162,045	1,237,356
Travelling and conveyance		2,469,807	4,355,386
Printing and stationery		281,862	328,899
Communication		1,938,392	1,687,729
Rent, rates and taxes	37.2	3,100,000	3,075,000
Repair and maintenance		819,572	970,980
Insurance		641,603	297,480
Entertainment		1,367,754	1,855,362
Fees and subscription		2,616,200	3,699,643
Advertisement		151,500	149,720
Depreciation on operating property, plant and equipment	5.1.1	8,222,697	8,774,689
Amortization of intangible assets	7	46,018	286,018
Auditor's remuneration	37.3	900,500	932,000
Legal and professional charges		776,389	877,925
Others		741,474	521,362
		76,656,460	75,825,494

37.1 These include Rs. 1.398 million (2019: Rs. 1.787 million) in respect of staff gratuity.

37.2 These include Rs. 3.000 million (2019: Rs. 3.000 million) paid to director against rent of Head Office.

37.3 Auditor's remuneration

	2020 Rupees	2019 Rupees
Annual audit	682,500	682,500
Half yearly review	157,500	157,500
Taxation services	-	31,500
Certification	10,500	10,500
Out of pocket expenses	50,000	50,000
	900,500	932,000

38. OTHER OPERATING EXPENSES

	Notes	2020 Rupees	2019 Rupees
Workers' Profit Participation Fund	26.2	10,422,710	6,808,249
Workers' Welfare Fund	26.3	3,680,055	-
Profit on Sales Tax Refund Bonds - written off	9.1	137,014	-
Unrealized loss on remeasurement short term investments		5,320	24,840
Loss on disposal of property, plant and equipment		453,583	-
Charity and donation	38.1	323,800	70,800
		15,022,482	6,903,889

38.1 Donations were not made to any donee in which the Company, a director or his / her spouse had any interest at any time during the year.

	Notes	2019 Rupees	2018 Rupees
39. FINANCE COST - net			
Mark-up on:			
Long term loans and financing		**38,413,585**	51,145,449
Short term finances		**164,149,367**	131,010,890
Lease liabilities	**23.1**	**1,163,645**	1,182,992
Interest on Workers' Profit Participation Fund	**26.2**	**355,475**	125,280
Bank charges and bank guarantee commission		**4,229,801**	5,568,407
Amortization of deferred government grant	**24**	**(293,000)**	-
		208,018,873	189,033,018
40. TAXATION			
Current taxation:			
Normal tax		**47,687,835**	42,394,878
Final tax on exports realization		**41,771,466**	38,833,892
		89,459,301	81,228,770
Tax credits under section 65B of Income Tax Ordinance, 2001		**-**	(10,433,181)
	30	**89,459,301**	70,795,589
Prior year adjustment	**40.1**	**(8,355,946)**	9,723,083
Deferred taxation - net	**25.1**	**(7,782,735)**	7,882,494
		73,320,620	88,401,166

40.1 This comprises the adjustment regarding amendment of assessment for prior years.

40.2 Relationship between tax expense and accounting profit before tax

The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly, tax charge reconciliation has not been prepared and presented.

41. EARNINGS PER SHARE		2020	2019
41.1 Basic			
Profit after taxation	***Rupees***	**121,030,807**	40,955,567
Weighted average number of ordinary shares	***No.***	**14,408,248.8**	14,408,248.8
Earnings per share	***Rupees***	**8.40**	**2.84**

41.2 Diluted

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

	Notes	2020 Rupees	2019 Rupees
42. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**194,351,427**	129,356,733
Adjustments for:			
Depreciation on property, plant and equipment	5.1.1	**137,180,330**	145,929,758
Amortization of intangible assets	7	**46,018**	286,018
Allowance for obsolescence and slow moving items	10.2	**33,046**	34,771
Profit on sales tax refund bonds - written off	38	**137,014**	-
Provision for Workers' Profit Participation Fund	26.2	**10,422,710**	6,808,249
Provision for Workers' Welfare Fund	26.3	**3,680,055**	-
Duty Drawback of taxes on export sales	34	**-**	(317,329)
Loss / (gain) on disposal of property, plant and equipment	34 & 38	**453,583**	(262,342)
Dividend Income	34	**-**	(4,000)
Profit on sales tax refund bonds	34	**-**	(137,014)
Unrealized loss on remeasurement of short term investments	38	**5,320**	24,840
Exchange rate fluctuation loss / (gain) - net	34	**(945,369)**	(1,294,112)
Finance cost - net	39	**208,018,873**	189,033,018
		359,031,580	340,101,857
Cash flows before working capital changes		**553,383,007**	469,458,590
Working capital changes:			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		**(17,426,985)**	(9,150,819)
Stock-in-trade		**9,969,416**	(238,790,870)
Trade debts		**(126,969,297)**	(86,332,508)
Loans and advances (excluding advance income tax)		**4,713,719**	(14,403,500)
Due from Government - sales tax		**15,803,386**	(18,586,307)
Other receivables		**(995,662)**	(706,611)
Increase in current liabilities:			
Trade and other payables (excluding provision for Workers' Profit Participation Fund and provision for Workers' Welfare Fund)		**171,510,857**	273,424,288
		56,605,434	(94,546,327)
CASH GENERATED FROM OPERATIONS		**609,988,441**	374,912,263

42.1 *Reconciliation of liabilities arising from financing activities*

Liabilities from financing activities (2020)	**June 30, 2019**	**Cash flows**	**Non-cash changes**	**June 30, 2020**
	Rupees			
Unclaimed dividend	**3,235,078**	**(17,868,509)**	**18,010,309**	**3,376,878**
Long term finances - net	**642,342,121**	**(91,069,640)**	**(4,283,438)**	**546,989,043**
Leases liabilities	**10,509,835**	**(6,070,577)**	**-**	**4,439,258**
net	**858,714,769**	**(113,548,137)**	**-**	**745,166,632**
Total liabilities from financing activities	**1,514,801,803**	**(228,556,863)**	**13,726,871**	**1,299,971,811**

Liabilities from financing activities (2019)	June 30, 2018	Cash flows	Non-cash changes	June 30, 2019
	Rupees			
Unclaimed dividend	3,019,542	(17,794,774)	18,010,310	3,235,078
Long term finances - net	650,121,185	(7,779,064)	-	642,342,121
Leases liabilities	9,329,663	(2,847,828)	4,028,000	10,509,835
Short term finances excluding running finances - net	819,757,777	38,956,992	-	858,714,769
Total liabilities from financing activities	1,482,228,167	10,535,326	22,038,310	1,514,801,803

42.2 Cash and cash equivalents at end of the year	Notes	**2020 Rupees**	2019 Rupees
Cash and bank balances	17	**12,342,710**	16,765,243
Short term running finances	27	**(175,740,601)**	(279,985,896)
		(163,397,891)	(263,220,653)

43. RELATED PARTY TRANSACTIONS

The related parties comprise of Chief Executive, directors, executives / key management personnel (KMP) of the Company and M/S Ahmad Cotton Industries (an associated undertaking which is commonly owned / controlled by three of the directors of the Company).

43.1 Following transactions were made with the related parties of the Company, during the year:

Relationship	Nature of transaction	2020	2019
Associated Undertaking	- Sale of cotton seed	**38,251,840**	69,403,014
Associated Undertaking	- Lease rental against ginning factory	**221,952**	452,964
Directors	- Rent of Head Office	**3,000,000**	3,000,000
Directors	- Dividend paid	**9,407,875**	8,903,938
Executives / KMPs	- Advances given / (received) - net	**57,000**	(1,015,000)

43.2 Maximum aggregate amount due from the associated undertaking at any month end during the year was Rs. 38.251 million (2019: Rs. 25.422 million).

43.3 No interest was charged on the associated undertaking's balances during the year as these arose due to normal business dealings. Outstanding balances with related parties at year end have been disclosed in note 13 and note 26.1.

43.4 Remuneration and benefits to chief executive, directors, and executives / key management personnel under the term of their employment are disclosed in note 44.

44. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES / KEY MANAGEMENT PERSONNEL

Remuneration of chief executive, directors and executives / key management personnel has been included in Staff salaries and benefits (note 33, 36 and 37). Detail is given below:

	Notes	**2020** Rupees	**2020** No. of persons	2019 Rupees	2019 No. of persons
Managerial remuneration:					
Chief executive		**4,800,000**	**1**	2,400,000	1
Ex-chief executive		**-**		1,800,000	1
Directors		**8,400,000**	**2**	7,000,000	2
	37	**13,200,000**		11,200,000	
Executives / key management personnel:					
Managerial remuneration		**15,246,000**	**12**	12,015,000	12
Bonus		**994,933**	**10**	1,059,500	12
Retirement benefits		**1,353,000**	**12**	1,259,500	12
		17,593,933		14,334,000	

44.1 Meeting fee amounting to Rs. 0.026 million (2019: Rs. 0.031 million) was paid to two (2019: three) non-executive directors. The chief executive, two (2019: two) directors and six (2019: six) executives / key management personnel are provided with the Company maintained cars. No other remuneration or benefits were paid to non-executive directors.

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

45.1 Financial instruments by category

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an approximate mix between various sources of finance to minimize risk. Category wise detail of financial instruments is as follows:

Financial assets as per statement of financial position	Notes	2020 Rupees	2019 Rupees
At amortized cost:			
Long term deposits	8	**12,617,377**	13,262,777
Long term investment	9	**-**	17,837,014
Trade debts	12	**609,448,392**	481,533,726
Advances	13	**1,058,255**	718,264
Other receivables	15	**7,105,167**	6,109,505
Cash and bank balances	17	**12,342,710**	16,765,243
At fair value through profit or loss:			
Short term investments	16	**46,680**	52,000
		642,618,581	536,278,529
Financial liabilities as per statement of financial position			
At cost / amortized cost:			
Subordinated loans	21	**105,000,000**	105,000,000
Long term financing	22	**546,989,043**	642,342,121
Lease liabilities	23	**4,439,258**	10,509,835
Trade and other payables	26	**850,824,656**	675,627,666
Unclaimed dividend		**3,376,878**	3,235,078
Short term finances	27	**920,907,233**	1,138,700,665
Accrued finance cost	29	**37,646,441**	52,539,990
		2,469,183,509	2,627,955,355

Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and approves the related policies periodically.

45.2 Credit risk and concentration of credit risk

The Company is exposed to credit risk from its operating activities (primarily for trade debts, loans and advances as well as other receivables) and from its financing activities, including balances with banks.

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. Out of the total financial assets of Rs. 642.619 million (2019: Rs. 536.279 million) the financial assets which are subject to credit risk amounted to Rs. 641.599million (2019: Rs. 535.966million). The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

Credit risk and concentration of credit risk - continued

The maximum exposure to credit risk as at the reporting date is tabulated below:

	Notes	2020 Rupees	2019 Rupees
Financial assets			
Long term deposits	8	**12,617,377**	13,262,777
Long term investment	9	**-**	17,837,014
Trade debts	12	**609,448,392**	481,533,726
Advances	13	**1,058,255**	718,264
Other receivables	15	**7,105,167**	6,109,505
Short term investments	16	**46,680**	52,000
Bank balances	17	**11,322,794**	16,452,250
		641,598,665	535,965,536

The bank balances and investments along with credit ratings of counterparties are tabulated below:

Credit rating	**Bank Balances**	**Short term Investments**
	Rupees	
June 30, 2020:		
A-1+	**11,322,661**	**-**
A1+	**-**	**46,680**
A-1	**133**	**-**
	11,322,794	**46,680**
June 30, 2019:		
A-1+	4,142,514	-
A1+	12,309,603	52,000
A1	133	-
	16,452,250	52,000

Due to Company's long standing relationship with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

45.2 .1 Credit risk related to receivables

Customer credit risk is managed by the management subject to the Companys established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on past experience with the customers. Outstanding customer receivables are regularly monitored.

At June 30, 2020, the Company has 17 local customers that owed more than Rs. 10.000 million each (2019: 19 local customers that owed more than Rs. 7.840 million each) and work out to approximately 83.74% (2019: 88.00%) of local trade debts. The maximum exposure to credit risk at the reporting date is the carrying values of receivables mentioned in note 12 and advances to

The Company does not hold collateral as security against local debtors. However, some of the foreign debtors are secured against letters of credit. The ageing analysis of trade debts is given in note 12.2.

45.3 Liquidity risk management

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

Liquidity risk management - continued

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 27, is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Financial Liabilities in accordance with their contractual maturities are presented as follows:

	Interest / markup bearing			Non-Interest / markup bearing			
	Maturity within 1 year	Maturity after 1 year	Sub-total	Maturity within 1 year	Maturit after 1 year	Sub-total	Total
June 30, 2020	Rupees						
Financial liabilities							
Long term financing	**37,132,333**	**509,856,710**	**546,989,043**	-	-	-	**546,989,043**
Lease liabilities	**2,331,052**	**2,108,206**	**4,439,258**	-	-	-	**4,439,258**
Trade and other payables	-	-	-	**850,824,656**	-	**850,824,656**	**850,824,656**
unclaimed dividend	-	-	-	**3,376,878**	-	**3,376,878**	**3,376,878**
Short term finances	**920,907,233**	-	**920,907,233**	-	-	-	**920,907,233**
Accrued finance cost	-	-	-	**37,646,441**	-	**37,646,441**	**37,646,441**
	960,370,618	**511,964,916**	**1,472,335,534**	**891,847,975**	-	**891,847,975**	**2,364,183,509**
June 30, 2019							
Financial liabilities							
Long term financing	149,744,213	492,597,908	642,342,121	-	-	-	642,342,121
Lease liabilities	3,489,135	7,020,700	10,509,835	-	-	-	10,509,835
Trade and other payables	-	-	-	675,627,666	-	675,627,666	675,627,666
unclaimed dividend	-	-	-	3,235,078	-	3,235,078	3,235,078
Short-term finances	1,138,700,665	-	1,138,700,665	-	-	-	1,138,700,665
Accrued finance cost	-	-	-	52,539,990	-	52,539,990	52,539,990
	1,291,934,013	499,618,608	1,791,552,621	731,402,734	-	731,402,734	2,522,955,355

45.4 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The senior management of the Company continuously monitors its investments to avoid such risks.

45.4 .1 Interest rate risk management

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. The Companys exposure to the risk of changes in market interest rates relates primarily to the Companys short term debt obligations, lease liabilities and long term debts having floating interest rates.

45.4 .2 Interest rate sensitivity

If interest rates had been increased / decreased by 10% in basis points and all other variables were held constant, the Companys profit before taxation for the year ended June 30, 2020 would increase / decrease by Rs. 20.408 million (2019: Rs. 18.334 million). This is mainly attributable to the Companys exposure to interest rates on its variable rate borrowings.

The Companys sensitivity to interest rates has increased during the current year mainly due to the increase in borrowings and variable markup rates.

45.4 .3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2020, the total foreign currency risk exposure was Rs. 71.290 million (2019: Rs. 5.872 million) in respect of foreign trade debts and Rs. 4.489 million (2019: Rs. 2.888 million) were payable in respect of foreign currency payables. Moreover, commitments in respect of letters of credit amount to Rs. 6.276 million (2019: Rs. 2.427 million).

45.4 .4 Foreign currency sensitivity analysis

At June 30, 2020, if the Pakistani Rupee had strengthened / weakened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been increased / decreased by Rs. 3.34 million (2019: Rs. 0.149 million). Profit before tax is more sensitive to movement in Rupee / foreign currency exchange rates in year 2020 than in year 2019 due to higher foreign currency exposure as compared to last year.

45.4 .5 Equity price risk management

The Company is exposed to equity price risk since it has investments in listed equity securities amounting to Rs. 0.046 million (2019: Rs. 0.052 million).

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's investment in equity securities is minimal, hence equity price risk is negligible.

46. DETERMINATION OF FAIR VALUES

46.1 Fair value

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.

46.2 Fair value estimation

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfers occur.

The Companys policy for determining when transfers between levels in the hierarchy occur includes monitoring of the following factors:

- changes in market and trading activity (e.g. significant increases / decreases in activity)
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market.

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

The valuation technique used is as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value estimation - continued

The carrying amounts of the financial assets and financial liabilities as at the reporting date approximate their fair values. As at June 30, 2020, all financial assets and financial liabilities are carried at cost / amortized cost except for short term investments which are carried at their fair values determined in accordance with level-1 of the fair value hierarchy.

47. CAPITAL DISCLOSURE

The Company's objectives, policies and processes for managing capital are as follows:

- The Company is not subject to any externally imposed capital requirements.
- The Companys objectives when managing capital are to safeguard the Companys ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and bank balances. Adjusted capital comprises all components of equity plus net debt.
- The debt-to-adjusted capital ratios at June 30, 2020 and June 30, 2019 were as follows:

	2020 **Rupees**	2019 Rupees
Total debt	**1,577,335,534**	1,896,552,621
Less: Cash and bank balances	**(12,342,710)**	(16,765,243)
Net debt	**1,564,992,824**	1,879,787,378
Total equity (as per statement of changes in equity)	**1,824,662,794**	1,840,936,884
Adjusted capital	**3,389,655,618**	3,720,724,262
Debt-to-adjusted capital ratio	**0.46**	0.51

48. SEGMENT REPORTING

48.1 Reportable segments

The management has determined the operating segments of the Company on the basis of the difference in the products produced.

The Company's reportable segments are as follows:

- Spinning segment - ginning of cotton and production of different qualities of yarn by using natural and artificial fibers.
- Weaving segment - production of different qualities of fabric using yarn.

Information regarding the Company's reportable segments is presented below:

48.2 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable operating segments:

		Spinning		Weaving		Total	
		2020	2019	**2020**	2019	**2020**	2019
	Notes	Rupees				**Rupees**	Rupees
Sales - net							
External	32	**3,597,825,901**	3,428,723,247	**3,753,588,636**	3,845,270,561	**7,351,414,537**	7,273,993,808
Inter-segment		**-**	3,252,020	**-**	-	**-**	-
Total		**3,597,825,901**	3,431,975,267	**3,753,588,636**	3,845,270,561	**7,351,414,537**	7,273,993,808
Cost of sales - excluding inter-segment purchase	33	**(3,329,293,910)**	(3,233,750,656)	**(3,483,123,975)**	(3,580,506,620)	**(6,812,417,885)**	(6,814,257,276)
Inter-segment purchase		**-**		**-**	(3,252,020)	**-**	-
		(3,329,293,910)	(3,233,750,656)	**(3,483,123,975)**	(3,583,758,640)	**(6,812,417,885)**	(6,814,257,276)
Gross profit		**268,531,991**	198,224,611	**270,464,661**	261,511,921	**538,996,652**	459,736,532
Other income	34	**74,284**	400,129	**871,085**	2,063,968	**945,369**	2,464,097
Profit / (loss) on trading	35	**-**	-	**224,300**	(14,845)	**224,300**	(14,845)
Distribution cost	36	**(27,352,327)**	(25,010,798)	**(18,764,752)**	(36,055,852)	**(46,117,079)**	(61,066,650)
Administrative expenses	37	**(37,831,182)**	(37,718,070)	**(38,825,278)**	(38,107,424)	**(76,656,460)**	(75,825,494)
Other operating expenses	38	**(4,843,127)**	(812,921)	**(10,179,355)**	(6,090,968)	**(15,022,482)**	(6,903,889)
Finance cost	39	**(142,527,742)**	(120,982,642)	**(65,491,131)**	(68,050,376)	**(208,018,873)**	(189,033,018)
Profit before tax		**56,051,897**	14,100,309	**138,299,530**	115,256,424	**194,351,427**	129,356,733
Taxation							
- Current	40	**(41,987,576)**	(37,660,220)	**(47,471,725)**	(33,135,369)	**(89,459,301)**	(70,795,589)
- Prior year adjustments	40	**(80,364)**	(4,861,218)	**8,436,310**	(4,861,865)	**8,355,946**	(9,723,083)
- Deferred	40	**(8,826,129)**	9,939,521	**16,608,864**	(17,822,015)	**7,782,735**	(7,882,494)
		(50,894,069)	(32,581,917)	**(22,426,551)**	(55,819,249)	**(73,320,620)**	(88,401,166)
Profit / (loss) after taxation		**5,157,828**	(18,481,608)	**115,872,979**	59,437,175	**121,030,807**	40,955,567

SEGMENT REPORTING - continued

48.3 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Notes	Spinning 2020	Spinning 2019	Weaving 2020	Weaving 2019	Total 2020	Total 2019
		Rupees				Rupees	Rupees
Non-current assets							
Operating property, plant and equipment	5	**1,168,400,823**	1,302,128,268	**1,404,874,618**	1,539,239,775	**2,573,275,441**	2,841,368,043
Investment property	6	**-**	-	**43,311,500**	43,311,500	**43,311,500**	43,311,500
Intangible assets	7	**76,699**	122,717	**-**	-	**76,699**	122,717
Long term deposits	8	**722,700**	1,262,700	**11,894,677**	12,000,077	**12,617,377**	13,262,777
Long term investment	9	**-**	8,265,206	**-**	9,571,808	**-**	17,837,014
		1,169,200,222	1,311,778,891	**1,460,080,795**	1,604,123,160	**2,629,281,017**	2,915,902,051
Current assets							
Stores, spare parts and loose tools	10	**39,180,370**	29,236,110	**39,154,258**	31,704,579	**78,334,628**	60,940,689
Stock-in-trade	11	**519,069,139**	537,876,308	**579,521,787**	570,684,034	**1,098,590,926**	1,108,560,342
Trade debts	12	**321,118,558**	247,768,437	**288,329,834**	233,765,289	**609,448,392**	481,533,726
Loan and advances	13	**49,603,398**	46,182,039	**46,381,249**	65,605,523	**95,984,647**	111,787,562
Due from Government	14	**35,060,047**	47,234,544	**18,249,242**	10,541,251	**53,309,289**	57,775,795
Other receivables	15	**3,979,665**	3,909,825	**3,125,502**	2,199,680	**7,105,167**	6,109,505
Short term investment	16	**-**	-	**46,680**	52,000	**46,680**	52,000
Cash and bank balances	17	**11,479,332**	5,347,859	**863,378**	11,417,384	**12,342,710**	16,765,243
Total assets		**2,148,690,731**	2,229,334,013	**2,435,752,725**	2,530,092,900	**4,584,443,456**	4,759,426,913
Equity							
Issued, subscribed and paid up share capital	18					**144,082,488**	144,082,488
Share premium	19					**32,746,284**	32,746,284
Surplus on revaluation of property, plant and equipment	20	**240,240,770**	316,503,351	**357,887,793**	425,918,868	**598,128,563**	742,422,219
Revenue reserve - unappropriated profit		**418,986,421**	418,861,411	**630,719,038**	502,824,482	**1,049,705,459**	921,685,893
Subordinated loans	21	**42,500,000**	42,500,000	**62,500,000**	62,500,000	**105,000,000**	105,000,000
Non-current liabilities							
Long term loans and financing	22	**201,083,202**	193,006,827	**308,773,508**	299,591,081	**509,856,710**	492,597,908
Lease liabilities	23	**969,532**	4,552,666	**1,138,674**	2,468,034	**2,108,206**	7,020,700
Deferred income - government grant	24	**884,868**	-	**723,982**	-	**1,608,850**	-
Deferred taxation - net	25	**80,868,902**	82,000,386	**106,596,262**	131,957,832	**187,465,164**	213,958,218
Current liabilities							
Trade and other payables	26	**355,322,278**	302,625,761	**504,891,628**	378,782,772	**860,213,906**	681,408,533
Unclaimed dividend		**1,654,114**	1,617,539	**1,722,764**	1,617,539	**3,376,878**	3,235,078
Finances under markup arrangements and other credit facilities	27	**723,958,713**	737,853,996	**196,948,520**	400,846,669	**920,907,233**	1,138,700,665
Current portion of non-current liabilities	28	**25,464,420**	86,196,288	**16,673,553**	67,037,060	**42,137,973**	153,233,348
Accrued finance cost	29	**28,703,724**	33,759,804	**8,942,717**	18,780,186	**37,646,441**	52,539,990
Provision for taxation	30	**41,987,578**	37,660,220	**47,471,723**	33,135,369	**89,459,301**	70,795,589
Total equity and liabilities						**4,584,443,456**	4,759,426,913

	2020 Rupees	2019 Rupees
SEGMENT REPORTING - continued		
48.4 Revenue from major products and services		
Fabric export sales	**1,781,184,399**	2,183,380,194
Yarn export sales	**2,395,962,244**	1,700,009,005
Fabric local sales	**1,958,035,982**	1,642,529,667
Yarn local sales	**1,025,040,719**	1,544,738,784
Waste local sales	**147,849,352**	133,083,676
Cotton seed local sales	**38,251,840**	69,033,421
Revenue from manufacturing	**7,346,324,536**	7,272,774,747
Revenue from processing	**5,090,000**	1,219,061
	7,351,414,536	7,273,993,808
Revenue from trading	**4,921,100**	985,600
Total revenue	**7,356,335,636**	7,274,979,408

48.5 Revenue from major customers

Revenue from top thirty (30) customers of the Company in each segment is as follows:

	2020	2019
Spinning	**2,967,839,479**	2,728,803,824
Weaving	**3,453,569,036**	3,558,041,020

Revenue from two (2019: one) of the customers from weaving segment of the Company exceeded 18.41% (2019: 14.57%) of the Company's total revenue and amounted to Rs. 1,354.157 million (2019: Rs. 1,059.854 million).

49. GEOGRAPHICAL INFORMATION

The Company's revenue from external customers by geographical location is detailed below:

	2020	2019
Pakistan - local sales	**3,179,188,992**	3,390,593,922
Pakistan - indirect exports	**3,429,858,991**	3,202,810,390
America	**44,070,100**	46,796,539
Asia	**499,779,514**	492,994,753
Europe	**203,438,039**	141,783,804
	7,356,335,636	7,274,979,408

All non-current assets of the Company are located and operating in Pakistan.

50. NUMBER OF EMPLOYEES	**2020**	2019
Employees of the Company as at June 30	736	645
Average number of employees during the year	712	631

51. CAPACITY AND PRODUCTION

		2020	2019
Yarn			
Number of spindles installed		**28,152**	28,152
Installed capacity after conversion into 20's count (1,095 shifts (2019: 1,095 shifts))	**Kgs**	**10,668,135**	10,668,135
Actual production of yarn after conversion into 20's count	**Kgs**	**10,437,907**	10,545,780
Fabric			
Number of looms installed		**219**	219
Number of looms worked		**219**	219
Installed capacity after conversion into 60 picks	**Sq. mtrs**	**76,617,097**	76,617,097
Actual production of fabric after conversion into 60 picks	**Sq. mtrs**	**51,228,622**	55,471,200

It is difficult to describe precisely the production capacity in Spinning and Weaving Mills since it fluctuates widely depending on various factors such as quality of cotton, count of yarn spun, spindles speed, twist, the width and construction of fabric woven etc. It also varies according to the pattern of production adopted in a particular year. Underutilization of capacities is due to various factors including availability of raw material and stoppages due to repair and maintenance.

52. CORRESPONDING FIGURES

Corresponding figures in these financial statements have been reclassified where necessary for the purpose of comparison. However, no material rearrangements have been made in these financial statements.

53. SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on September 26, 2020, proposed a cash dividend of Rs. 1.5 per share for the year ended June 30, 2020 for approval of the members at the Annual General Meeting of the Company, to be held on October 28, 2020.

These financial statements do not include the effect of the proposed cash dividend.

54. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 26, 2020 by the Board of Directors of the Company.

55. GENERAL

Figures have been rounded-off to the nearest Pakistani Rupee except stated otherwise.

Sd/-	Sd/-	Sd/-
Chief Executive	Director	Chief Financial Officer

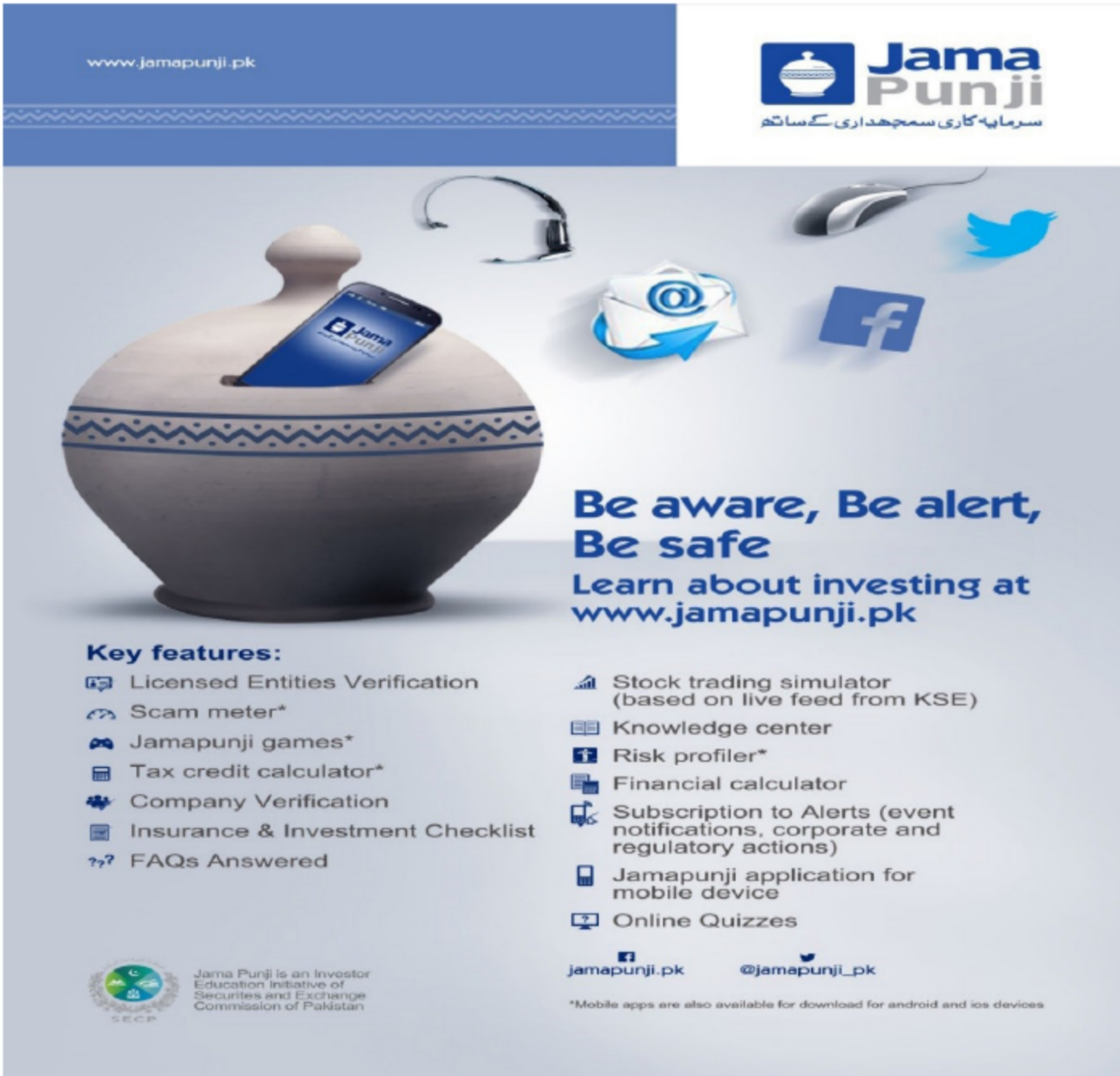
Pattern of Shareholding for Ahmad Hassan Textile Mills Ltd.
As on:- 30-Jun-2020

Number of ShareHolders	Shareholdings From	Shareholdings To	Total Number of Share Held	Percentage of Total
128	1 -	100	6,608	0.05
412	101 -	500	188,042	1.31
89	501 -	1000	58,428	0.41
43	1001 -	5000	83,802	0.58
5	5001 -	10000	29,540	0.21
3	10001 -	15000	34,730	0.24
1	30001 -	35000	31,000	0.22
2	45001 -	50000	99,435	0.69
1	60001 -	65000	64,000	0.44
1	65001 -	70000	70,000	0.49
1	70001 -	75000	71,400	0.50
1	80001 -	85000	83,593	0.58
2	150001 -	155000	300,431	2.09
1	255001 -	260000	260,000	1.80
1	300001 -	305000	303,996	2.11
1	350001 -	355000	350,565	2.43
2	430001 -	435000	864,000	6.00
1	445001 -	450000	450,000	3.12
1	455001 -	460000	455,221	3.16
2	500001 -	505000	1,004,485	6.97
1	505001 -	510000	509,000	3.53
1	580001 -	585000	582,277	4.04
1	635001 -	640000	637,729	4.43
1	800001 -	805000	804,540	5.58
3	835001 -	840000	2,517,834	17.47
1	910001 -	915000	913,009	6.34
1	1060001 -	1065000	1,062,063	7.37
1	2570001 -	2575000	2,572,520	17.85
708			**14,408,248**	**100.00**

Categories of Shareholders as per Code of Corporate Governance

As at June 30, 2020

Number of Shareholders	Shareholders Category	Number of share held	Percentage of Total Capital
	Associated Companies, undertaking and related parties(name wise details)	NILL	NILL
	Benevolent Fund		
1	**TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST**	2,933	0.0204
		2,933	**0.0204**
	Directors, Chief Executive and their spouse(s) and minor children(name wise details)		
	MIAN MOHAMMAD JAVED ANWAR	521,400	3.6188
	MUHAMMAD AURENGZEB	1,271,278	8.8233
	MUHAMMAD HARIS	2,572,520	17.8545
	SALMA JAVED	804,540	5.5839
	WAHEEDA PARVEZ	1,062,063	7.3712
	MUHAMMAD JAHANZAIB	1,294,499	8.9844
7	NAZIR AHMAD KHAN	2,573	0.0179
		7,528,873	**52.2540**
	Financial Institutions		
1	NATIONAL BANK OF PAKISTAN	5,013	0.0348
		5,013	**0.0348**
	Joint Stock Companies		
	ADAM LUBRICATS LIMITED.	500	0.0035
	PRUDENTIAL SECURITIES LIMITED	50	0.0003
	MAPLE LEAF CAPITAL LIMITED	1	0.0000
	CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD	50	0.0003
	CAPITAL VISION SECURITIES PVT LIMITED	75	0.0005
6	S.Z. SECURITIES (PRIVATE) LIMITED	632	0.0044
		1,308	**0.0090**
	Mutual Fund		
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	**913,009**	6.3367
	NIT & ICP		
1	INVESTMENT CORP. OF PAKISTAN	**200**	0.0014
	Pension Fund		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	**83,593**	0.5802
	General Public		
696	Local	**5,873,319**	40.7636
	Foreign		
	Shareholders holding five percent or more voting interest		
	SALMA JAVED	804,540	5.58
	MUHAMMAD HARIS	2,572,520	17.85
	WAHEEDA PARVAIZ	1,062,063	7.37
	MUHAMMAD AURANGZEB	1,271,278	8.82
	MUHAMMAD JAHANZAIB	1,294,499	8.98
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	913,009	6.34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FORM OF PROXY

I/We, ___________________________ of ______________________, holding Computerized National Identity Card Number _______________________________ and being a member of Ahmad Hassan Textile Mills Limited, hereby appoint ___________________________ of ______________________, holding Computerized National Identity Card Number _______________________________ as my / our proxy to voted for me/us and on my/our behalf at the Annual General / Extraordinary Meeting of the Company, to be held on _________________ and at any adjournment thereof.

As witness my / our hand/seal this _______ day of ______________, 20_____

WITNESSES:

1. Signature _____________________	2. Signature _____________________
Name __________________________	Name __________________________
Address _________________________	Address _________________________
CNIC Number _____________________	CNIC Number _____________________

CDC Account Number

Five Rupees Revenue Stamp

To be signed by 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.
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 original CNIC at the time of 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.

Electronic Dividend Mandate Form

In accordance with the provisions of section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. SECP vide Circular Number 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any dividend payable after this due date shall be paid in the manner prescribed only.

Shareholders are requested to sent the attached Form duly filled and signed, along with attested copy of their CNIC to the Company's Share Registrar, M/s Vision Consulting Ltd., 3-C, LDA Flats, 1st Floor, Lawrence Road, Lahore. CDC shareholders are requested to submit their Dividend Mandate Form and attested copy of CNIC directly to their broker (participant)/ CDC.

I hereby communicate to receive my future dividends directly in my Bank Account as detailed below:

Name of shareholder ______________________________

Folio Number/CDC Account No. ____________________ of Ahmad Hassan Textile Mills Limited

Contact number of shareholder ______________________________

Title of Account ______________________________

IBAN (*) ______________________________

Name of Bank ______________________________

Bank branch ______________________________

Mailing Address of Branch ______________________________

CNIC No. (attach attested copy) ______________________________

NTN (in case of corporate entity) ______________________________

It is stated that the above particulars given by me are correct and to the best of my knowledge; I shall keep the Company informed in case of any changes in the said particulars in future.

____________________ ____________________

Shareholder's Signature Date

NOTES:

* Please provide complete IBAN (International Bank Account Number), after checking with your concerned Bank branch to enable electronic credit directly into your bank account.