



Fazal Cloth Mills Limited



2019
ANNUAL
REPORT



Contents

Corporate

- 03 Company Information
- 05 Corporate Vision and Mission Statement
- 07 Corporate Values and Code of Conduct
- 10 Notice of Meeting
- 20 Chairman Review Report
- 21 چیئرمین جائزہ رپورٹ
- 22 Directors' Report
- 30 ڈائریکٹرز رپورٹ
- 36 Statement of Compliance with the Code of Corporate Governance
- 39 Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

Unconsolidated Financial Statements of Fazal Cloth Mills Limited

- 42 Auditors' Report to the Member
- 48 Unconsolidated Statement of Financial Position
- 50 Unconsolidated Statement of Profit or Loss
- 51 Unconsolidated Statement of Comprehensive Income
- 52 Unconsolidated Statement of Changes in Equity
- 54 Unconsolidated Statement of Cash Flows
- 55 Notes to the Unconsolidated Financial Statements

Consolidated Financial Statements of Fazal Cloth Mills Limited (The Group)

- 128 Directors' Report
- 130 ڈائریکٹرز رپورٹ
- 132 Auditors' Report to the Member
- 138 Consolidated Statement of Financial Position
- 140 Consolidated Statement Profit or Loss Account
- 141 Consolidated Statement of Comprehensive Income
- 142 Consolidated Statement of Changes in Equity
- 144 Consolidated Statement of Cash Flows
- 145 Notes to the Consolidated Financial Statements
- 224 Pattern of Shareholding of Shareholders
- 225 Pattern of Shareholding As Per Requirements of Code of Corporate Governance
- 227 Investors' Education
- 229 Consent Form for Transmission of Financial Statements Through E-mail
- 231 Form of Proxy
- 233 پراکسی فارم





Company Information

Board of Directors	Sh. Naseem Ahmad Mr. Rehman Naseem Mr. Amir Naseem Sheikh Mr. Fazal Ahmed Sheikh Mr. Faisal Ahmed Mr. Fahd Mukhtar Mr. Babar Ali	Chairman Chief Executive Officer Independent Director
Audit Committee	Mr. Babar Ali Mr. Naseem Ahmad Mr. Fahd Mukhtar	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Babar Ali Mr. Amir Naseem Sheikh Mr. Faisal Ahmad	Chairman Member Member
Company Secretary	Mr. Asad Mustafa	
Chief Financial Officer	Mr. Muhammad Azam	
Auditors	KPMG TaseerHadi& Co., Chartered Accountants	
Bankers	Allied Bank Limited National Bank of Pakistan MCB Bank Limited Meezan Bank Limited United Bank Limited Standard Chartered Bank Pakistan Limited Habib Bank Limited Soneri Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited Saudi Pak Industrial & Agricultural Investment Company Ltd Habib Metropolitan Bank Ltd	Faysal Bank Limited Askari Bank Limited The Bank of Punjab The Bank of Khyber Pak Brunei Investment Company Limited Pak Oman Investment Company Limited Summit Bank Limited Dubai Islamic Bank (Pakistan) Limited JS Bank Limited Bank Islami Pakistan Ltd
Head Office & Shares Department:	59/3, Abdali Road, Multan. Phone: (92) 61-4579001-7,4781637 Fax: (92) 61-4541832 E-mail: corporate@fazalcloth.com; arfan.zahid@fazalcloth.com Website: www.fazalcloth.com	
Shares Registrar:	Vision Consulting Ltd. 3-C, LDA Flats, Lawrence Road, Lahore. shares@vcl.com.pk Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36312550	
Registered Office:	69/7, AbidMajeed Road, Survey No. 248/7, Lahore Cantt, Lahore. Phone: (92) 42-36684909	
Mills:	i) Fazal Nagar, Jhang Road, Muzaffargarh– Pakistan Ph. (92) 66-2422216,18 Fax: (92) 66-2422217 ii) QadirpurRawan Bypass, Khanewal Road, Multan – Pakistan Ph. (92)61-6740041-43, Fax : (92) 61-6740052	





Corporate Vision / Mission Statement

Vision

The Company aims to establish a vertically integrated textile business producing finished products, processed and greige fabrics and yarn. The Company aims to produce high quality diversified products at competitive price to be marketed globally.

Mission

The Company should provide a secure and rewarding investment to its shareholders and investors, quality products to its customers, a secure place of work to its employees and be an ethical partner with its business associates.





Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

- To fulfill customer needs by producing quality products;
- To act with good governance;
- To achieve sustainable and equitable growth;
- To promote diversity and ethical behavior;
- To develop a dynamic team of professionals to achieve excellence and innovation.

Fazal Cloth Mills Limited ("the company") promulgated the code of conduct ("the Code") on October 05, 2012. The Company is committed to maintain the highest level of ethical conduct among its directors and employees. Therefore separate codes were framed for directors and employees, which include the acceptable business practices, source of guidance and principles of behavior.

Salient Features For The Code Of Conduct For Directors

Compliance with Laws

Directors must comply with the laws, rules and regulations applicable to business of the Company in and outside Pakistan.

Conflict of interest

A conflict of an interest is a situation where a director would be in a position to make personal gains by influencing the decision making. Conflict of interest might not be easily identifiable. Whenever a director feels that the conflict of interest exists, he should inform about it to the chairman of the Board of Directors.

Corporate Opportunity

Directors should not use the Company's property, information and their position for personal benefit. He should not establish competing business and divert the Company's business opportunities for personal gains.

Confidentiality

Directors must always maintain confidentially of the confidential information. He should not make public such information which would harm the interests of the Company. He should consult with Chairman of the Board or compliance officer if he has to disclose any information due to his legal obligation.

Fair Dealing

A director must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Protection and Proper Use of the Company Assets

Directors should ensure that all assets of the Company must be used

for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Reporting any Illegal or Unethical Behavior

A director must inform the Compliance officer or chairman of the Board of Directors if he finds any employee or other director committing the violation of the Code and any law of the land. He should take all possible measures which could help prevent illegal or unethical behavior of fellow directors or employees.

Public Company Reporting

Directors are responsible for the timely and accurate reporting to the SECP, FBR, stock exchanges and other regulatory bodies. They should make possible that the financial statements of the Company are published and circulated among shareholders in time.

Disclosure of Interest

The directors should disclose their interest in the shareholding of other companies. They must inform within four days to the Company Secretary if any director or his spouse trades in the shares of the other Company.

Insider Trading

No director or his spouse will transact in the shares of the Company after the start of close period. The Company secretary will inform about the close period that will start when the documents and financial statements are circulated among the directors. Directors should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Salient Features For The Code Of Conduct For Employees

Safety

The Company is highly concerned with the safety of both employees and non-employees on its premises and maintains standard operating procedures in case of emergencies. All the employees must follow

these procedures and are required to inform their seniors in case of any mishap.

Fitness for Duty

An employee should be mentally and physically fit when he is on



work. He should not use any drugs. Even if he is using any prescribed medicine which might affect his performance at work he should inform about it to his senior.

Attendance Report

An employee should have contact information of his senior and inform him if he is not able to report on work.

Work Place Harassment and Discrimination

The Company treats all its employees equally and maintains an environment free from workplace harassment and discrimination. The policy of equal treatment applies to hiring, career prospects, promotions, training, remuneration and dismissal as well.

Environment

All the employees are required to promote culture of environmental protection among employees, customers, suppliers, public authorities and communities. They must use the Company's facilities and processes in an environmentally sustainable way.

Workplace Violence

Employees must restraint themselves from any form of violence at the Company premises otherwise he will be terminated from his job.

Weapons in Workplace

All the employees, other than those who are authorized, cannot carry any weapon whether on or off duty if they are using premises, vehicle or any other property of the Company.

Protection and proper use of the Company Assets

Employees should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Computer and System Security

All the employees of the Company are required to use computer and information technology system of the Company according to the Company information technology policy and guidelines.

Fair Dealing

All employees must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Bribery

The payment of bribery and kickbacks in any form is strictly prohibited because the Company does not allow anyone to promote its business by compromising the integrity and ethical practices.

Confidential Information

All the employees must keep the company information on its premises and should not make copies of documents, papers, statements and record for an unauthorized use. Employees are not permitted to share the information about Company business outside the Company unless authorized.

Regulatory Compliance and Corporate governance

The company maintains an environment of good governance. All the employees are required to follow the Company's policies, rules and regulations.

Financial Integrity

No employee should indulge himself in any fraudulent activity. If he believes and finds anyone engaged in a fraudulent activity he should inform about it to his seniors.

Alcohol, Drugs and Gambling

The use of alcohol, drugs, other than for medication, and gambling is prohibited on the location or premises of the Company.

Insider Trading

No employee or his spouse will transact in the shares of the Company after the start of close period prior to the announcement of financial results. Employees categorized as executives according to the requirements of Code of Corporate Governance 2012 should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Audit Committee

Members

Mr. Babar Ali	Chairman
Mr. Sheikh Naseem Ahmed	Member
Mr. Fahd Mukhtar	Member

Terms of Reference

The terms of reference of the Audit Committee shall include the following:

- A. Recommending to the Board of Directors the appointment of external auditors, their remuneration and audit fees;
- B. Determination of appropriate measures to safeguard the Company's assets;
- C. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing



- major judgmental areas;
 - Significant adjustment resulting from the audit;
 - going concern assumption;
 - any changes in accounting policies and practice;
 - compliance with applicable accounting standards;
 - compliance with these regulations and other statutory and regulatory requirements; and
 - all related party transactions.
- D. Review of preliminary announcements of results prior to publication;
- E. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- F. Review of management letter issued by external auditors and management's response thereto;
- G. Ensuring coordination between the internal and external auditors of the Company;
- H. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- I. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power; and management's response thereto;
- J. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- K. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- L. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- M. Determination of compliance with relevant statutory requirements;
- N. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- O. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Human Resource & Remuneration (HR& R) Committee

Members

- | | |
|----------------------------|----------|
| 1. Mr. Babar Ali | Chairman |
| 2. Mr. Aamir Naseem Sheikh | Member |
| 3. Mr. Faisal Ahmed | Member |

Terms of Reference

- Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management).
- Recommending human resource management policies to the board.
- Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of, chief financial officer, company secretary and head of internal audit.
- Consideration and approval on recommendation of chief executive officer on such matters for key management positions who report directly to chief executive officer.



NOTICE OF MEETING

Notice is hereby given that the **54th Annual General Meeting** of the Shareholders of the Company **M/S. FAZAL CLOTH MILLS LIMITED ("the Company")** will be held on Saturday, October 26, 2019 at 11:00 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, LAHORE to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Extra Ordinary General Meeting of the Company held on March 09, 2019.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2019 together with the Auditors' and Director's Report thereon.
3. To consider and approve payment of final Cash Dividend for the year ended June 30, 2019 at the rate of **Rs.10.5** (Rupees Ten and Fifty Paise Only) per Ordinary Share of Rs.10.00 each (2018: Rs. 8.5) as recommended by the Board of Directors.
4. To appoint External Auditors of the Company for the Financial Year Ending **June 30, 2020** and fix their remuneration. M/s. KPMG Taseer Hadi & CO., Chartered Accountants, Lahore, External Auditors of the Company retires and being eligible offers themselves for re-appointment.
5. To transact any other business with the permission of the Chairman.

SPECIAL BUSINESS

6. To discuss the matter and seek approval of the shareholders, with or without modifications, as per requirement of section 199 of the companies act 2017 for the change in tenure of repayment of loan investment made to an Associated Company Fatima Transmission Company Ltd ("FTCL") from one year to ten years of its disbursement. The approval of loan investment to FTCL was made by shareholder in Annual General Meeting dated October 31, 2015.

"RESOLVED THAT a loan made to "Fatima Transmission Company Ltd", an Associated Undertaking, as per shareholder approval in Annual General Meeting dated October 31, 2015 will be repayable within ten years from date of disbursement instead of one year, markup will be charged at KIBOR+1.5 % and period of investment will be till October 15, 2021".

"FURTHER RESOLVED that any Director of the Company and authorized officers of the Company namely, Mr. Muhammad Azam, Chief Financial Officer and Mr. Asad Mustafa, Company Secretary be and are hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing necessary agreements/documents, seeking any relevant regulatory approvals, and any ancillary matter thereto".

7. To ratify and approve the transactions carried out by the Company with related parties as disclosed in Financial Statements for the year ended June 30, 2019 and to pass the following Special Resolution(s) with or without modification(s):



“**Resolved that**, related party transactions carried out by the Company with Fazal Weaving Mills Ltd, Fatima Fertilizer Company Limited, Fatima Energy Limited, Fatima Fert Limited, Reliance Weaving Mills Ltd, Ahmed Fine Textile Mills Ltd, Fazal Rehman Foundation Multan, Fazal Rehman Fabrics Ltd, Hussain Gineries Limited, Fazal Farms Pvt Ltd, Fatima Sugar Mills Ltd, Fatima Transmission Company Limited, Pakarab Energy Limited, Friends of Cardiology Foundation Multanand Taary Zameen Par Trust during the year ended June 30, 2019 be and are hereby ratified and approved.”

8. To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time, irrespective of the composition of the Board of Directors;

“**Resolved that**, the Company may carry out transactions including but not limited to sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/ raw material and purchase of packaging material, with related parties from time to time including but not limited to with Fazal Weaving Mills Ltd, Fatima Fertilizer Company Limited, Fatima Energy Limited, Fatima Fert Limited, Reliance Weaving Mills Ltd, Ahmed Fine Textile Mills Ltd, Fazal Rehman Foundation Multan, Fazal Rehman Fabrics Ltd, Hussain Gineries Limited, Fazal Farms Pvt Ltd, Fatima Sugar Mills Ltd, Fatima Transmission Company Limited, Pakarab Energy Limited, Friends of Cardiology Foundation Multanand Taary Zameen Par Trust and other such related parties during the year ending June 30, 2020.

A statement under section 134(3) of the Companies Act, 2017 to the aforesaid special businesses to be transacted at the said Annual General Meeting is attached.

BY ORDER OF THE BOARD

MULTAN.

Dated: October 04, 2019.


Asad Mustafa
Company Secretary



NOTES:

1. The Share Transfer Books of the Company will remain closed from October 19, 2019 to October 26, 2019 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 18th 2019 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport, Account & participant's ID number to prove identity. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members must bring the BoD resolution and / or power of attorney and specimen signature of nominee.
3. **Dissemination of Annual Audited Accounts and Notice of Annual General Meeting**The Company shall place the financial statements and reports on the Company's website: www.fazalcloth.com at least twenty one (21) days prior to the date of the Annual General Meeting. Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31 May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/ DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in its Annual General Meeting held on October 31, 2016. Accordingly, Annual Report of the Company for the year ended June 30, 2018 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID. For convenience of shareholders, a Standard Request Form for provision of Annual Accounts has also been made available on the Company's website www.fazalcloth.com.
4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-
 - a. Change in their addresses;
 - b. Pursuant to the requirement of Section 242 of new Companies Act 2017, shareholders are mandatorily required to provide their bank account details i.e. Title of Bank Account, Bank Account No/IBAN No., Bank's Name, Branch Address and Cell / Landline No(s). of the Transferee(s) so that dividend be paid through electronic mode directly into the bank account as designated; Shareholders are requested to send required details to the share registrar of the Company **before Oct 26, 2019**, failing which the Company will be constrained to withhold dividend payments.
 - c. The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar.
 - d. Pursuant to requirement of the Finance Act, 2016-17 Section 150 of the Income Tax Ordinance 2001, the 'Filer' & 'Non-Filer' shareholders will pay tax on dividend income @15% and 30% respectively.



Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), despite the fact that the shareholder is a filer, before the date of approval of cash dividend i.e. **October 26, 2019**, otherwise tax on cash dividend will be deducted @30% instead of 15%.

- e. As per clarification of FBR, each shareholder is to be treated individually as either a 'Filer' or 'Non-Filer' and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing within 10 days from entitlement date i.e. October 18, 2019 as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Folio/CDCA/c #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name & CNIC No.	Shareholding Proportion (No. of Shares)	Name & CNIC No.	Shareholding Proportion (No. of Shares)

- f. Related reference from law or valid tax exemption certificate issued by the concerned Commissioner of Inland Revenue is to be furnished to the Company / Share Registrar in order to avail tax exemption otherwise tax will be deducted under the provisions of laws.
- g. For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or Mr. Abdul Ghaffar Ghaffari of Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.
- h. **Consent for Video Conference Facility** Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given here in above at least seven (07) days prior to the date of the meeting as per the following format.

I/We, _____ of _____ being a member of Fazal Cloth Mills Limited holder of _____ Ordinary share(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____.

i. Zakat Declaration

The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Usher Ordinance, 1980.

j. E-Voting

Shareholders can exercise their right to demand a poll subject meeting requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of companies (Postal Ballot) Regulations 2018



k. Unclaimed Dividend & Bonus Shares

Shareholders, who by any reasons, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our share registrar M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore,

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 – REGARDING SPECIAL BUSINESS 6 :

(a) Disclosure for all types of Investments

(A) Disclosure regarding associated company

(i) Name of associated company or associated undertaking;

Fatima Transmission Company Ltd (“FTCL”)

(ii) Basis of relationship;

Due to Common directorship of Mr. Fazal Ahmed Sheikh and Mr. Rehman Naseem Sheikh.

(iii) Earnings per share for the last three years;

June 30, 2017 Rs. (0.132) / share

June 30, 2018 Rs. (2.076) / share

June 30, 2019 Rs(2.965) / share

(iv) Break-up value per share, based on latest audited financial statements;

Rs 9.62 on basis of audited financial statements of year 2017

(v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements;

Based on latest unaudited financial statements, for year ended June 30, 2019, Authorized Capital is Rs 250,000,000 , Paid Up capital is Rs 230,000,003, Non Current Liabilities are Rs 315,789,925, Total Assets are Rs. 756,948,124, Net Assets are Rs. 105,534,284 and Loss after tax is Rs. (68,185,993).

(vi) In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely,-

I. description of the project and its history since conceptualization;

Fazal Cloth Mills Limited (“FCML”), Fatima Holding Company Limited (“FHCL”) and Reliance Weaving Mills Limited (“RWML”), Fazal Holdings (Private) Limited (collectively the “Sponsors”) are the associated companies and have established FTCL which will set up and operate a special purpose transmission line for supply/transmission of electricity to National Grid and associated & group companies as well including the FCML and it will charge use of system charges (wheeling charges) against use of transmission line for transmission of power. This will also boost profitability of the FCML as currently the Company is using alternative power



generation sources which are expensive and bearing electricity load shedding which affecting the production. Therefore, management of Sponsors initiated such steps to avoid enslavement on DISCOs.

(II) Construction starting date:

February 10, 2014; Project has completed construction in year 2018-19.

III. Time by which such project shall become commercially operational:

From August 2019 project supplying electricity on testing and commissioning basis.

IV. Expected time by which project shall start return

Till June 2020 project will be completely operational by having return earning.

V. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;

The loan will be made on cash basis.

(B) General Disclosures

(i) Maximum amount of investment to be made;

Limit of investment will remain upto Rs 300 Million (Rupees Three Hundred Million Only) as per approval by shareholders at Annual General Meeting dated Oct 31, 2015.

(ii) Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;

To facilitate the Investee Company for development of transmission line in time. Further the Company will earn markup from Investee Company on such loan amount. Investment upto approved limit, if required further, will be made till October 15, 2021.

(iii) Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;

Not applicable . As funds have been & will be made from own sources.

(iv) Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;

Markup will be charged at KIBOR+1.5%. The loan will be repayable within ten years of its disbursement in 20 Semi-annually Installments. First installment to be due on 30 June or 31 December next falling after CoD. In case the repayment is not paid in due time additional markup will be charged on the over due amount till repayment. Loan is un-secured.



- (v) **Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;**

The Directors have no special interest except their personal shareholding.

- (vi) **In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;**

Rs. 38,811,585 million in accordance with shareholder approval dated Oct 31, 2015 has been advanced / loan to FTCL. Markup of Rs11,390,267 also has been charged on said disbursed amount. Functionality of FTCL was dependent upon starting operations of Fatima Energy Limited (FEL). The operations of FEL have been started in August 2019 by supplying electricity to group companies by using transmission lines of FTCL. Supply of electricity by FEL to group companies will be at boost till June 2020 and accordingly earning of FTCL will increase by charging wheeling charges. There is no impairment or write off this loan.

- (vii) **Any other important details necessary for the members to understand the transaction;**
As operations of FTCL started in August 2019 therefore repayment period of amount already disbursed and further if to be disbursed in future, will be ten years from date of disbursement.

(b) Additional Disclosures regarding Loan Investment

- (i) **Category-wise amount of investment;**

Disbursed amount is Rs38,811,585. Loan approved amount is uptoRs 300,000,000.

- (ii) **Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period;**

KIBOR + 1 %

- (iii) **Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;**

Markup will be charged at one month KIBOR +1.5%,

- (iv) **Particulars of collateral or security to be obtained in relation to the proposed investment;**

Loan is un-secured.

- (v) **If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;**

None.

- (vi) **Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;**

The loan will be repayable within ten years of its disbursement in 20 Semi-annually Installments. First installment to be due on 30 June or 31 December next falling after CoD. In case the repayment is not paid in due time additional markup will be charged on the overdue amount till repayment.



STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 – REGARDING SPECIAL BUSINESS 7

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. However, the majority of Company Directors were interested in related party transactions with Fazal Weaving Mills Ltd, Fatima Fertilizer Company Limited, Fatima Energy Limited, Fatima Fert Limited, Reliance Weaving Mills Ltd, Ahmed Fine Textile Mills Ltd, FazalRehman Foundation Multan, FazalRehman Fabrics Ltd, Hussain Gineries Limited, Fazal Farms Pvt Ltd, Fatima Sugar Mills Ltd, Fatima Transmission Company Limited, Pakarab Energy Limited, Friends of Cardiology Foundation Multan and Taary Zameen Par Trust due to their common directorship and holding of shares in the associated companies, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification/approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in Code of Corporate Governance for such transactions. Pursuant to above, these transactions have to be approved/ratified by the shareholders in the General Meeting. The directors and their relatives have no direct or indirect interest in the aforesaid except to the extent of their shareholding/common directorship with related parties.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 – REGARDING SPECIAL BUSINESS 8

Due to composition of Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. Therefore, the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and / or 208 of the Companies Act, 2017, for the year ending June 30, 2020, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis. Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material and purchase of packaging material with the following related parties but are not limited to: Fazal Weaving Mills Ltd, Fatima Fertilizer Company Limited, Fatima Energy Limited, Fatima Fert Limited, Reliance Weaving Mills Ltd, Ahmed Fine Textile Mills Ltd, Fazal Rehman Foundation Multan, Fazal Rehman Fabrics Ltd, Hussain Gineries Limited, Fazal Farms Pvt Ltd, Fatima Sugar Mills Ltd, Fatima Transmission Company Limited, Pakarab Energy Limited, Friends of Cardiology Foundation Multan and Taary Zameen Par Trust. The shareholders should note that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with policy of the Company. Such transactions shall be presented in the next annual general meeting of shareholders for their formal approval/ratification.



Statement u/s 4 (2) of Investment in associated companies' regulations 2017

Name of Investee company	Fatima Transmission Company Limited (FTCL)	Fatima Energy Limited (FEL)
Total investment approved	<p>Rs. 300 Million loan was approved in AGM on October 31, 2015 and will be repayable within one year from date of disbursal</p> <p>The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017.</p>	<p>The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding upto Rs 9028 million.</p> <p>Rs. 2,000 Million loan investment was approved in AGM on Oct 27, 2018 with period of investment till Oct 15, 2021.</p>
Amount of investment made to date	Rs38 M	Rs1840 M
	NIL	NIL



Statement u/s 4 (2) of Investment in associated companies' regulations 2017

Name of Investee company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)
<p>Reasons for not having made complete investment so far where resolution required it to be implemented in specific time</p>	<p>Further funds request has not yet been made by the investee company.</p>	<p>Outstanding amount to NIB on behalf of FTCL will be paid in case of default by FTCL or in case any demand by lender of FTCL under SSA.</p>	<p>Outstanding amount to Lenders on behalf of FEL will be paid in case of default by FEL or in case any demand by lender of FEL under SSA.</p> <p>Further investment will be made depending on demand received from investee company</p>
<p>Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.</p>	<p>As per audited financial statements for the year ended June 30, 2015, the basic earnings per share was Rs. (8.78) / Shares and breakup value of share was Rs. 1.22 / share. As per latest available un-audited financial statements for the year ended June 30, 2019, the basic earnings per share is Rs. (2.965) / Shares and breakup value of share is Rs. 4.6 / share.</p> <p>As per financial statements for the year ended June 30, 2014, the basic earnings per share was Rs. (703.75) / Share and breakup value of share was Rs. (932.25) / share. As per latest available un-audited financial statements for the year ended June 30, 2019, the basic earnings per share is Rs. (0.248) / Shares and breakup value of share is Rs. 6.5 / share.</p>		



CHAIRMAN'S REVIEW

I am pleased to present the review on the performance of your Company and its board for the year ended June 30, 2019 along with effectiveness of the role played by the Board in achieving the Company's objectives.

The Directors of your company are well aware with their responsibilities, under the applicable regulations, for governance of the company in an effective and efficient manner. Evaluation of the board of Directors, that is required under Listed companies (code of Corporate Governance) Regulations, 2017 (the regulations), is aimed to measure the Board overall performance and conduct of the company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory. During the financial year 2018-19 four Board meetings were convened. The Board has duly formulated a vision and mission statement, is actively involved in formulation of appropriate policies and procedures and ensures due compliance with all the regulatory requirements. It closely monitors the performance of its sub committees and is committed to uphold and stable operation.

During the year, the board considered and approved, among other things, quarterly and annual financial statements, appointments of external auditors, distribution of dividend and financial matters.

GOP has levied GST @ 17% on local sales of textile goods. Sellers are also required to charge 3% further tax and disclose CNIC of customers who are not registered with FBR.

Due to very high rate of GST and the fact that most of the customers involved in domestic trade of textiles are not registered with FBR, sales of yarns and fabrics destined for domestic market consumption have reduced sharply. Inventory has built up resulting in higher financial cost. Margins on these products have also been reduced. Almost 25% of sales of your company are affected. Remaining 75% sales of your company comprise of either direct or indirect exports. Sales position and margins of this part remains satisfactory.

In view of the above, your company expects lower profit during the current year as compared to last year.

Multan
Date: September 26, 2019

(Sh. Naseem Ahmed)
Chairman



چیئر مین کا جائزہ

میں کمپنی اور اسکے بورڈ کی سالانہ کارکردگی برائے مالی سال اختتام 30 جون، 2019 کا جائزہ پیش کرتے ہوئے مسرت کا اظہار کرتا ہوں۔

کمپنی کے ڈائریکٹرز کمپنی کو موثر انداز سے چلانے کے لئے اپنی ذمہ داریوں سے اور لاگو قوانین سے بخوبی آگاہ ہیں۔ بورڈ کے ممبران کی کارکردگی کوڈ آف کارپوریٹ گورننس کے قانون 2017 کے تحت مجموعی طور پر پرکھا گیا۔ جائزہ کے عرصے کے دوران کمپنی کی مجموعی کارکردگی تسلی بخش اور موثر رہی۔

سال 2018-19 میں چار بورڈ میٹنگز منعقد کی گئیں۔ بورڈ نے کمپنی کا ایک ویژن اور مشن مقرر کیا ہے اور قانونی طریقے کے مطابق معاملات کو چلانے کے لئے پالیسی مرتب کی ہیں۔ بورڈ اپنی تشکیل کردہ کمیٹی کی کارکردگی کا باقاعدہ جائزہ لیتا ہے۔ اور معاملات میں توازن یقینی بناتا ہے۔

مالی سال کے عرصہ کے دوران بورڈ نے دوسرے معاملات کے علاوہ سہ ماہی، ششماہی اور سالانہ حسابات کی منظوری دی۔ آزاد آڈیٹرز کا تقرر کیا اور منافع منقسمہ کی تقسیم کی۔

حکومت پاکستان نے ٹیکسٹائل کی مقامی فروخت پر 17 فیصد جی ایس ٹی کا نفاذ کیا ہے۔ اور فروخت کنندہ کے لیے لازمی قرار دیا کہ وہ ایف۔ بی۔ آر سے غیر رجسٹرڈ افراد سے تین فیصد اضافی ٹیکس کے ساتھ ساتھ خریدار کا شناختی کارڈ بھی وصول کرے۔

مقامی سطح پر کپڑا اور دھاگہ کی فروخت میں کمی واقع ہوئی ہے جس کی وجہ بلند جی۔ ایس۔ ٹی اور ٹیکسٹائل سے وابستہ مقامی کاروباری افراد کا ایف۔ بی۔ آر سے رجسٹرڈ نہ ہونا ہے۔ مالیاتی لاگت میں اعطاف کی وجہ سے سٹاک میں بھی اضافہ ہوا ہے۔ جس کی وجہ سے مصنوعات میں منافع کی شرح میں کمی ہوئی تقریباً 25 فیصد تک مصنوعات کی فروخت متاثر ہوئی ہے۔ جبکہ بقیہ بلواستہ یا بلاواستہ 75 فیصد فروخت جو کہ برآمدات پر مشتمل ہے قابل اطمینان رہی ہے۔ مندرجہ بالا حالات کو مد نظر رکھتے ہوئے کمپنی رواں سال منافع میں کمی کی توقع کر رہی ہے۔

By: _____

شیخ نسیم احمد

چیئر مین

تاریخ: 26 ستمبر، 2019

ملتان



Directors Report

Directors of Fazal Cloth Mills Limited (the Company) are pleased to present annual report of the Company for the year ended 30 June 2019 along with the financial statements and auditors' report thereon.

COMPANY'S AFFAIRS

Fazal Cloth Mills Limited (The Company) was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913(now the Companies Act, 2017). The shares of the company are quoted on Pakistan Stock Exchange. The registered office of the company is situated at 69/7, Abid Majeed Road, Survey No 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of textile goods.

FINANCIAL REVIEW

Financial Performance

Financial performance of the Company improved during the current year. Profit after tax increased to Rupees 1,515.50 million from Rupees 1,213.51 million registering an increase of 24.89%. Availability of electricity and gas tariff at regionally competitive rates and devaluation of Pakistani Rupee exchange rate were the main reasons for increase in profit.

Following is a summary of the key financial numbers:

Financial Highlights	2019	2018	Increase / (decrease)
	Rupees in (‘000’)	Rupees in (‘000’)	% age
Sales –net	36,341,097	31,288,369	16.15%
Cost of sales	31,998,617	28,552,922	12.07%
Gross profit	4,342,479	2,735,447	58.75%
EBITDA	5,249,975	3,448,334	52.25%
Depreciation	991,566	863,183	14.87%
Finance cost	1,894,234	1,143,950	65.59%
Other income	686,283	542,254	26.56%
Profit before tax	2,364,175	1,441,202	64.04%
Profit after tax	1,515,503	1,213,505	24.89%
Earnings per share –Rs	50.52	40.45	24.89%

Sales of the Company increased by Rupees 5,052.72 million (16.15%) in the current year as compared to the last year. The increase was due to an increase in sales volume and prices. Sales during FY 2018-19 were highest in the last five years.

Cost of Sales increased by Rupees 3,445.69 million (12.07%) in the current year as compared to the last year; mainly due to increase in prices of raw materials.

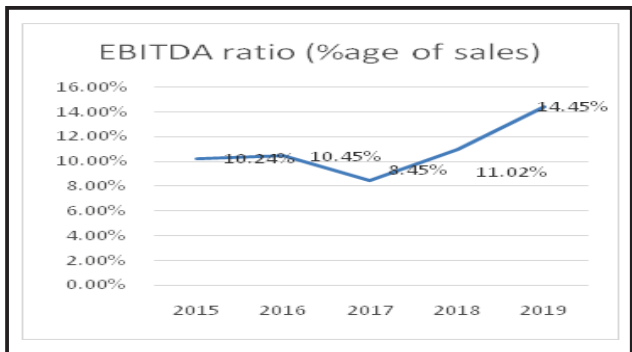
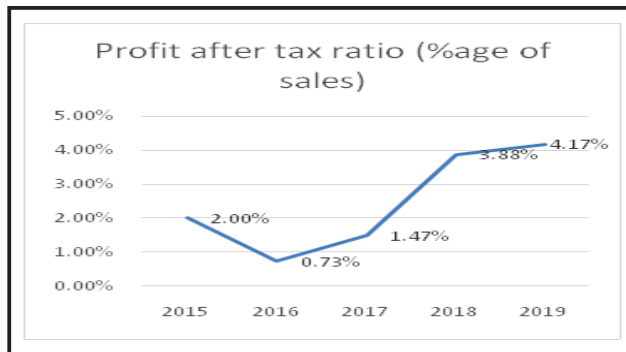
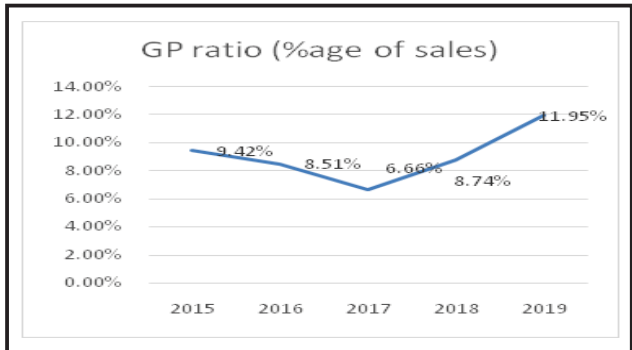
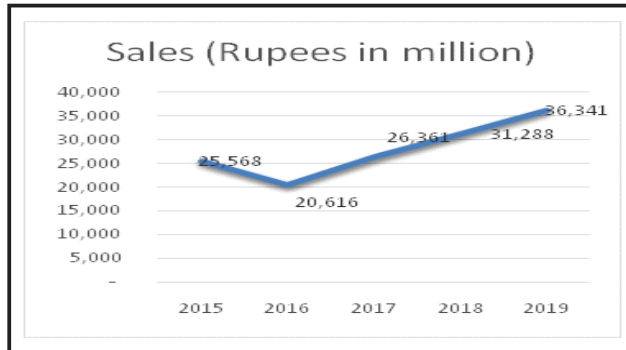
Gross profit ratio increased to 11.95% in the current year as compared to 8.74% in the last year.



The Company received dividend income of Rupees 120.95 million during the year as compared to Rupees 156.41 million during the last year.

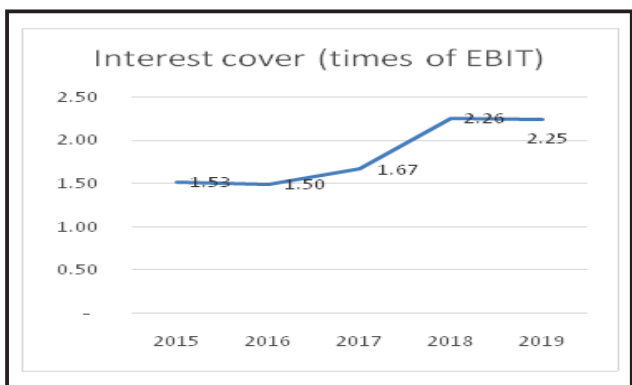
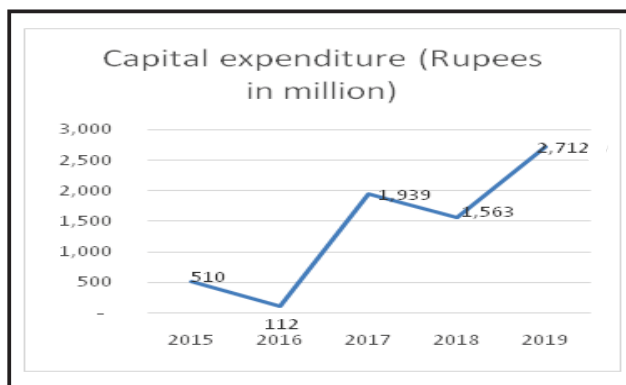
EBITDA of Rupees 5,249.97 million was generated as compared to Rupees 3,448.33 million last year. EBITDA per share is Rupees 174.99 (2018: Rupees 114.94).

Finance cost of the Company recorded an increase of 65.59% in the current year as compared to the last year. The main reasons for increase were increase in working capital requirements due to increase in raw material prices, upward trend in KIBOR and reduction in use of cheaper rate foreign currency short terms loans against exports.



Capital Expenditure

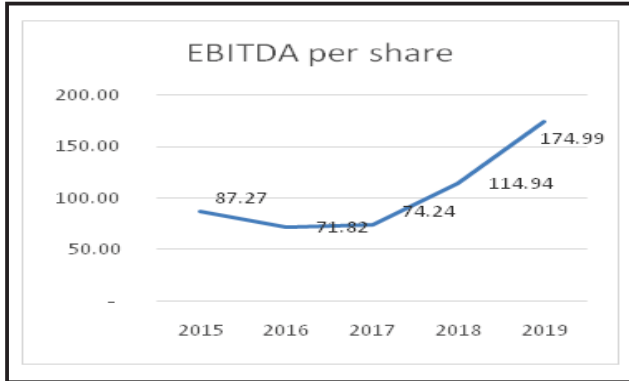
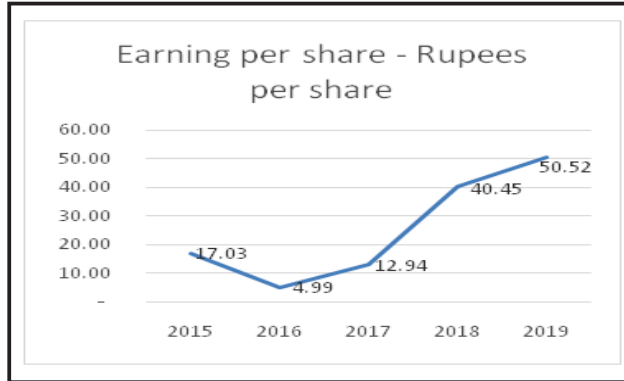
The Company incurred Capital Expenditure of Rupees 2,712 million during the year for modernization and expansion of its plant.





Earnings per Share (EPS)

EPS of the Company increased to Rupees 50.52 per share during the year as compared to Rupees 40.45 per share last year.



FUTURE OUTLOOK

GoP has levied GST @ 17% on local sales of textile goods. Sellers are also required to charge 3% further tax and disclose CNIC of customers who are not registered with FBR.

Due to very high rate of GST and the fact that most of the customers involved in domestic trade of textiles are not registered with FBR, sales of yarns and fabrics destined for domestic market consumption have reduced sharply. Inventory has built up resulting in higher financial cost. Margins on these products have also been reduced. Almost 25% of sales of your company are effected.

Remaining 75% sales of your company comprise of either direct or indirect exports. Sales position and margins of this part remains satisfactory.

In view of the above, your company expects lower profit during the current year as compared to last year.

Directors and Chief Executive Officer their spouses and minor children have made following transactions in the Company's shares:

Description	Sh. Naseem Ahmad & Mst. Nishat Naseem	Amir Naseem Sh, Mrs. Mahnaz Amir Sh. & Minor Children	Rehman Naseem & Minor Children	Fazal Ahmad Sheikh & Minor Children	Fahd Mukhtar	Faisal Ahmed & Minor Children
Balance as on 01-07-2018	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550
Purchase	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Inherited	-	-	-	-	-	-
Received as Gift	-	-	-	-	-	-
Transferred as gift	-	-	-	-	-	-
Sold	-	-	-	-	-	-
Closing Balance as on 30-06-2019	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550



During the year 2018-2019, four board meetings were held which were attended as follows:

Names of Directors	Designation	BOD Meeting	HR&R Meeting	Audit Committee Meeting
Sheikh Naseem Ahmad	Chairman	4	-	2
Rehman Naseem	Chief Executive Officer	4	-	2
Fazal Ahmed Sheikh	Director	3	-	-
Faisal Ahmed Sheikh	Director	3	1	-
Fahd Mukhtar	Director	3	-	3
Amir Naseem Sheikh	Director	4	1	-
Babar Ali	Independent Director	4	1	4

SAFETY, HEALTH & ENVIRONMENT

The Company is committed to provide a safe, injury-free workplace where everyone is healthy, energized and protects the society. EHS remains a priority for the Company at all levels and this year we focused on bringing an attitudinal change in the EHS culture by creating awareness and providing strong feedback on safety performance.

RISK MANAGEMENT

The Company is exposed to operational, financial and compliance risks which are mitigated through effective risk management framework, coupled with our internal controls, help us maintain our focus on managing the potential risks affecting our business. Internal Audit department provides independent report to the board of directors on effectiveness of risk management and control processes.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The company developed standards for the management of operational risk in the various areas like requirements for the reconciliation and monitoring of transactions, compliance with regulatory and other legal requirements, documentation of controls and procedures etc.

Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The



Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has established an effective and efficient system of internal and financial controls to safeguard the assets of the Company, prevent and detect fraud and ensure compliance with all statutory and legal requirements. The internal control structure is regularly reviewed and monitored by the Internal Audit function duly established by the Board. Audit Committee reviews the internal control system on quarterly basis in accordance with the term of its reference.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company considers CSR as a fundamental responsibility and strives to be a good corporate citizen. The Company contributes to society by supporting public health and education facilities.

CORPORATE GOVERNANCE:

Best Corporate Practices

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Rule Book of Pakistan Stock Exchange. The statement of compliance with the CCG is enclosed.

1. The total number of directors is seven as per the following:
 - a. Male: Seven
 - b. Female: Nil
2. The composition of Board is as follows:

Category	Names
Independent Director	1. Mr. Babar Ali
Non-Executive Directors	2. Mr. Sh. Naseem Ahmed 3. Mr. Aamir Naseem Sheikh 4. Mr. Faisal Ahmed 5. Mr. Fahd Mukhtar
Executive Directors	6. Mr. Rehman Naseem 7. Mr. Fazal Ahmed Sheikh



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

Name of Committee	Name of Members and Chairman
Audit Committee	<ol style="list-style-type: none"> 1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Sheikh Naseem Ahmed – Member 3. Mr. Fahd Mukhtar – Member
Human Resource and Remuneration Committee	<ol style="list-style-type: none"> 1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Aamir Naseem Sheikh – Member 3. Mr. Faisal Ahmed – Member

4. Non-executive and Independent directors are entitled only to a fee for attending company's meeting.

Directors' Statement

Following is the Directors' statement on Corporate and Financial Reporting framework:

- The financial statements for the year ended June 30, 2019, present fairly the state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2019 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

PATTERN OF SHAREHOLDING:

The pattern of shareholding as on June 30, 2019 is annexed.

DIVIDEND ANNOUNCEMENT

Directors have proposed to distribute 10.50 per share cash dividend (2018: 8.50 per share cash dividend).

SUBSIDIARY COMPANY

The Company has also annexed its consolidated financial statements along with separate financial statements in



accordance with the requirements of International Financial Reporting Standards and Companies Act, 2017.

Following is a brief description of subsidiary company of Fazal Cloth Mills Limited:

The Company owns 100.00% shares of its subsidiary Fazal Weaving Mills Limited. FWML was incorporated in Pakistan in 1989 as a Public Limited company under the Companies Ordinance, 1984 and commenced its commercial production on April 01, 2014. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility of the Company is located at Mauza Khairabad Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab.

AUDITORS:

M/s. KPMG Taseer Hadi & Co., Chartered Accountants, auditors of the Company retires and being eligible offers themselves for reappointment for the year 2019-2020.

MANAGEMENT/LABOUR RELATIONS:

The management/labour relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that by investing in our people we invest in our future. Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labour. The employees and management of the company continued to make joint efforts to keep up high standards of productivity. Relationship of management and employees continued to remain in total harmony. The board wishes to place on record its deep appreciation to all of them for their hard work and dedication to achieve these results.

Dated: September 26, 2019

**(Aamir Naseem Sheikh)
Director**

For and on behalf of the Board

**(Rehman Naseem)
Chief Executive Officer**





ڈائریکٹرز رپورٹ

فضل کلاتھ ملز لمیٹڈ (کمپنی) کے ڈائریکٹرز کمپنی کی سالانہ رپورٹ برائے سال 30 جون 2019 پیش کرتے ہوئے مسرت کا اظہار کر رہے ہیں۔

کمپنی کا تعارف

فضل کلاتھ ملز لمیٹڈ (کمپنی) سال 1966 میں معرض وجود میں آئی اور پاکستان سٹاک ایکسچینج میں لسٹڈ ہے۔ کمپنی کا بنیادی کاروبار ٹیکسٹائل مصنوعات کی تیاری اور خرید و فروخت ہے۔

کمپنی کا مالیاتی جائزہ

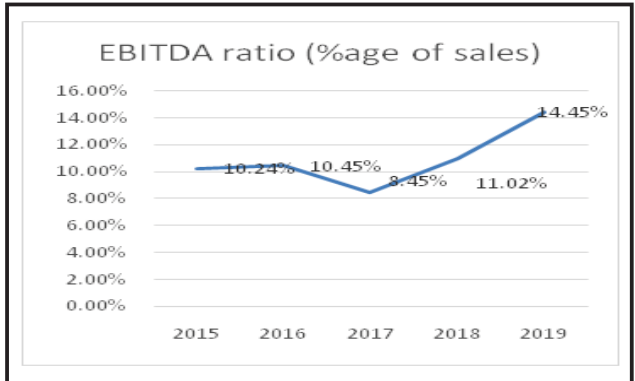
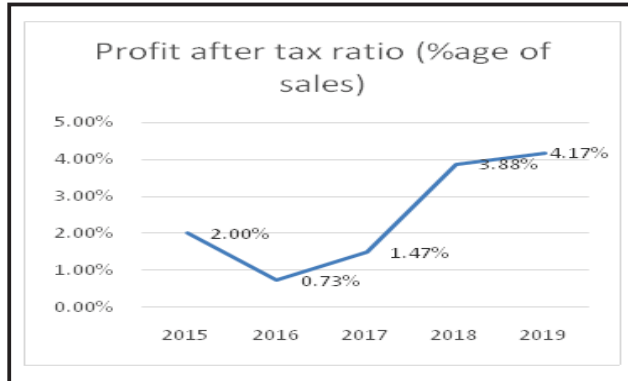
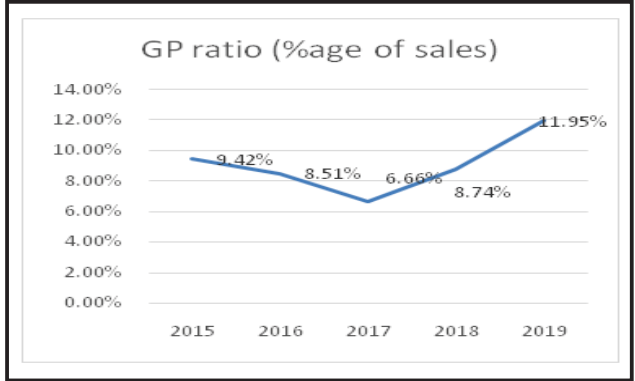
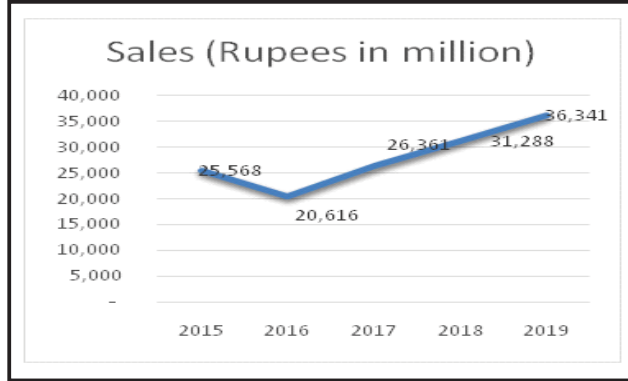
کمپنی کی مالیاتی کارکردگی رواں سال بہترین رہی۔ رواں سال منافع بعد از ٹیکس 1,515.50 ملین روپے رہا جو کہ پچھلے مالی سال میں 1,213.51 ملین روپے تھا لہذا اضافہ % 24.89 فی صد رہا۔ بجلی اور گیس کی نسبتاً کم ریٹ پر فراہمی اور روپے کی قدر میں کمی منافع کی وجوہات ہیں۔ نمایاں مالیاتی اعداد درج ذیل ہیں۔

اضافہ / کمی فی صد	2018 Rs.(000)	2019 Rs. (000)	تفصیلات
16.15%	31,288,369	36,341,097	فروختگی
12.07 %	28,552,922	31,998,617	فروختگی کی لاگت
58.75 %	2,735,447	4,342,479	گراس منافع
52.25%	3,448,334	5,249,975	فروسدگی اور مالیاتی اخراجات سے پہلے کا منافع
14.87 %	863,183	991,566	فروسدگی
65.59 %	1,143,950	1,894,234	مالیاتی خرچہ
26.56%	542,254	686,283	دوسری آمدن
64.04 %	1,441,202	2,364,175	منافع قبل از ٹیکس
24.89 %	1,213,505	1,515,503	منافع بعد از ٹیکس
24.89 %	40.45	50.52	فی حصص آمدنی

رواں سال کمپنی کی فروختگی میں 5,052.72 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 16.15 فی صد ہے۔ اضافہ کی بنیادی وجہ قیمتوں اور فروختگی کی مقدار میں اضافہ ہے رواں سال فروختگی پچھلے پانچ سالوں میں بلند ترین سطح پر رہی۔ رواں سال فروختگی کی لاگت میں 3,445.69 ملین روپے اضافہ ہوا جو پچھلے سال کی نسبت 12.07 فی صد رہا۔ اس کی بنیادی وجہ خام مال کی قیمت میں اضافہ تھا۔ گراس منافع میں 11.95 فی صد اضافہ رہا جبکہ پچھلے سال یہ 8.74 فی صد تھا۔

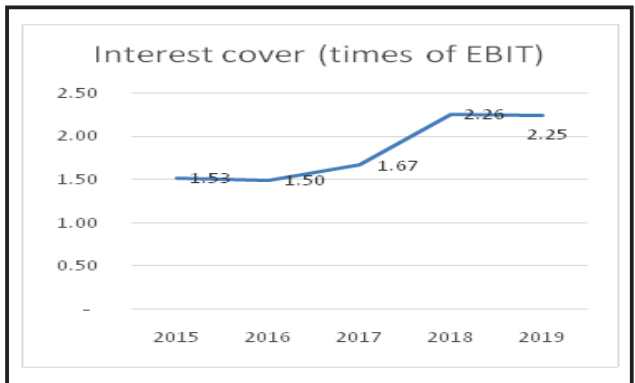
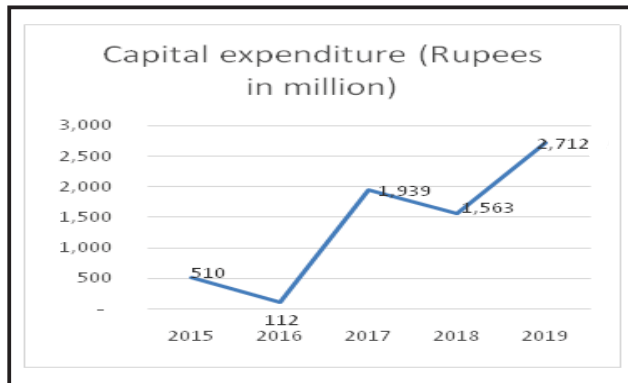


رواں سال کمپنی کو ڈیوڈنڈ پراآمدن 120.95 ملین روپے رہی جو کہ پچھلے سال 156.41 ملین روپے تھی۔ رواں سال فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع 5,249.97 روپے رہا جو پچھلے سال 3,448.33 ملین روپے تھا۔ فرسودگی اور مالیاتی اخراجات منہا کرنے کے بعد فی حصص منافع 174.99 روپے رہا جو کہ 2018 میں 114.94 روپے تھا۔ رواں سال کمپنی کی مالیاتی لاگی میں 65.59 فی صد اضافہ رہا جس کی بنیادی وجہ خام مال کی قیمت میں اضافہ اور کم لاگت والے قرضوں کے استعمال میں کمی ہے۔



کیپیٹل اخراجات

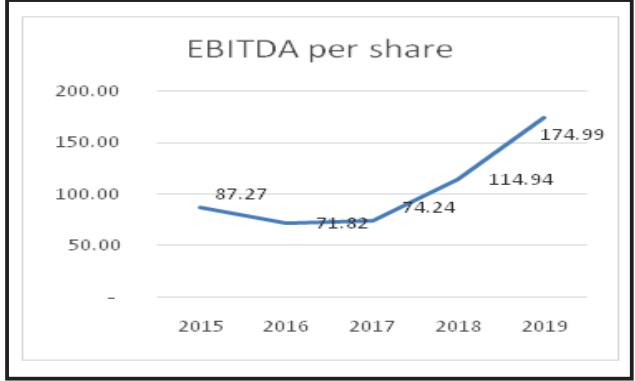
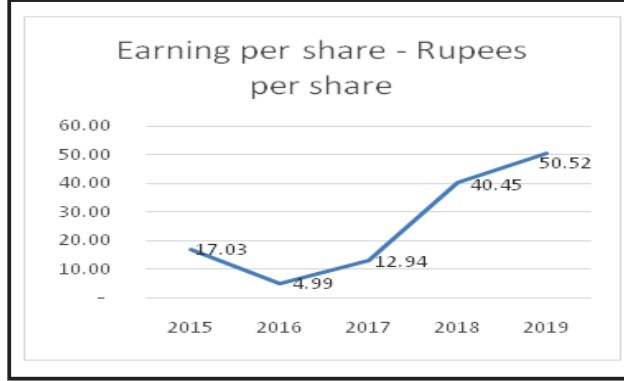
مشین کی اپ گریڈیشن کے لیے کمپنی نے رواں سال کیپیٹل اخراجات کی مدد میں 2,712 ملین روپے خرچ کیے۔





فی حصص آمدن

رواں سال فی حصص آمدن میں اضافہ 50.52 روپے تک رہی جو کہ پچھلے سال 40.45 روپے تھی۔



مستقبل کے نقطہ نظر سے ٹیکسٹائل کا کاروبار

حکومت پاکستان نے ٹیکسٹائل کی مقامی فروخت پر 17 فیصد جی ایس ٹی کا نفاذ کیا ہے۔ اور فروخت کنندہ کے لیے لازمی قرار دیا کہ وہ ایف۔بی۔آر سے غیر رجسٹرڈ افراد سے تین فیصد اضافی ٹیکس کے ساتھ ساتھ خریدار کا شناختی کارڈ بھی وصول کرے۔

مقامی سطح پر کیڑا اور دھاگہ کی فروخت میں کمی واقع ہوئی ہے جس کی وجہ بلند جی۔ایس۔ٹی اور ٹیکسٹائل سے وابستہ مقامی کاروباری افراد کا ایف۔بی۔آر سے رجسٹرڈ نہ ہونا ہے۔ مالیاتی لاگت میں اضافہ کی وجہ سے شاک میں بھی اضافہ ہوا ہے۔ جس کی وجہ سے مصنوعات میں منافع کی شرح میں کمی ہوئی تقریباً 25 فیصد تک مصنوعات کی فروخت متاثر ہوئی ہے۔ جبکہ بقیہ بلواستہ یا بلاواستہ 75 فیصد فروخت جو کہ برآمدات پر مشتمل ہے قابل اطمینان رہی ہے۔ مندرجہ بالا حالات کو مد نظر رکھتے ہوئے کمپنی رواں سال منافع میں کمی کی توقع کر رہی ہے۔

کمپنی کے ڈائریکٹرز اور ان کے بیوی بچوں کے کمپنی میں حصص درج ذیل ہیں۔

تفصیلات	شیخ نسیم احمد اور مسز نگہت نسیم	عامر نسیم شیخ مسز مہناز عامر شیخ اور بچے	رحمان نسیم اور بچے	فضل احمد شیخ اور بچے	فہد مختار	فیصل احمد اور بچے
تعداد: 01.07.2018	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550
خرید	-	-	-	-	-	-
بونس	-	-	-	-	-	-
وراقت	-	-	-	-	-	-
گفٹ کے طور پر ملے	-	-	-	-	-	-
گفٹ کے طور پر منتقل کیے	-	-	-	-	-	-
فروخت کیے	-	-	-	-	-	-
تعداد: 30.06.2019	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550



بورڈ آف ڈائریکٹرز کی سال کے دوران چار میٹنگ ہوئی۔ ہر ایک کی حاضری درج ذیل ہے۔

نام	عہدہ	بورڈ میٹنگ	ایچ آر اور آر کمیٹی	آڈٹ کمیٹی
شیخ نسیم احمد	چیرمین	4/4	-	2/4
رحمان نسیم	چیف ایگزیکٹو آفیسر	4/4	-	2/4
فضل احمد شیخ	ڈائریکٹر	3/4	-	-
فیصل احمد	ڈائریکٹر	3/4	1/1	-
فہد مختار	ڈائریکٹر	3/4	-	3/4
عامر نسیم شیخ	ڈائریکٹر	4/4	1/1	-
بابر علی	ڈائریکٹر	4/4	1/1	4/4

صحت مند اور پُر تحفظ ماحول

کمپنی کام کرنے کی جگہ پر موجود ہر انسان کو صحت مند اور پُر تحفظ ماحول فراہم کرنے میں پُر عزم ہے۔

رسک (خطرہ) منیجمنٹ

کمپنی میں اندرونی احتساب کا محکمہ بورڈ آف ڈائریکٹرز کو کنٹرولز کے موثر ہونے اور خطرہ کو قابو کرنے پر پورٹ کرتا ہے۔

آپریشنل خطرات

آپریشنل خطرات کمپنی کے معاملات، سٹاف، ٹیکنالوجی، انفراسٹرکچر، اور قوانین میں تبدیلی سے پیدا ہوتے ہیں۔ کمپنی نے ان خطرات کا سامنا اور ان سے نمٹنے کے لیے مختلف معاملات میں اصول وضع کیے ہوئے ہیں۔

کریڈٹ خطرات

یہ خطرہ لاحق ہوتا ہے جب کمپنی سے خرید کرنے والی پارٹی ناہنہ ہو جائے۔ ان خطرات کو کم کرنے کے لئے کمپنی گاہکوں کو قرضہ پر فرخت کا جائزہ لیتی رہتی ہے اور ادھار فروختگی کا جائزہ لیتی رہتی ہے۔

لیکوڈیٹی رسک

یہ خطرہ پیدا ہوتا ہے جب کمپنی کو کیش کی فراہمی کم ہو جائے اور کمپنی اپنے ذمہ واجبات ادا نہ کر سکے۔ اس خطرے سے نمٹنے کے لئے کمپنی ہمیشہ وافر کیش کی فراہمی کو یقینی بناتی ہے۔

اندرونی مالیاتی کنٹرولز کا موثر نظام

کمپنی نے اپنے اثاثہ جات کی حفاظت، فراڈ کی روک تھام، اور قانونی معاملات کی وقت پر پیروی کے لئے اندرونی مالیاتی کنٹرولز کا موثر نظام تشکیل دیا ہے۔ کمپنی کا احتساب کا اندرونی محکمہ ان کنٹرولز کی نگرانی کرتا ہے۔ اور آڈٹ کمیٹی سہ ماہی بنیادوں پر ان کنٹرولز کا جائزہ لیتی ہے۔



کمپنی کی سماجی ذمہ داری

کمپنی اپنی سماجی ذمہ داریوں کو سمجھتے ہوئے ایک اچھا کارپوریٹ شہری بننے کیلئے کوشاں ہے کمپنی اپنی اس ذمہ داری کا احساس کرتے ہوئے تعلیم اور صحت کی مختلف پبلک سکیموں میں مالی طور پر حصہ ڈالتی ہے۔

کارپوریٹ گورننس

بہترین کارپوریٹ کے طریقے:

ڈائریکٹرز بہترین کارپوریٹ طریقوں کو اپنانے کیلئے پرعزم ہیں۔

(i) ڈائریکٹرز کی کل تعداد سات ہے جو سب مرد ہیں۔

(ii) بورڈ کے اندر ایک آزاد، چارنان ایگزیکٹو اور دو ایگزیکٹو ڈائریکٹرز ہیں۔

(iii) آڈٹ کمیٹی میں مسٹر بابر علی (آزاد)، مسٹر شیخ نسیم احمد اور مسٹر فہد مختار شامل ہیں اور ہیومن ریسورس کمیٹی میں مسٹر بابر علی (آزاد)، مسٹر عامر نسیم شیخ اور مسٹر فیصل احمد مختار شامل ہیں۔

(iv) نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹرز صرف میٹنگ فیس کے حق دار ہیں۔

ڈائریکٹرز کا بیان

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے ڈائریکٹرز کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیان کرتے ہیں

- کمپنی کی انتظامیہ کی طرف سے تیار شدہ مالیاتی سٹیٹمنٹس برائے سال 30 جون 2019، معاملات کی حالت، آپریشن کے نتائج، کیش فلو اور ایکویٹی کے متعلق صحیح طور پر بتاتی ہیں۔

- کمپنی کے اکاؤنٹس کو مناسب طریقے میں کیا گیا ہے۔

- مالیاتی سٹیٹمنٹس کی تیاری تسلسل کے ساتھ متعلقہ اکاؤنٹنگ پالیسی کے تحت ہے اور اکاؤنٹنگ حسابات، مناسب اور محتاط فیصلہ پر کیے گئے ہیں۔

- عالمی مالیاتی رپورٹنگ معیارات جو کہ پاکستان میں لاگو ہیں انہیں مالیاتی سٹیٹمنٹس کی تیاری میں اپنایا گیا ہے۔

- کمپنی کے اندرونی کنٹرول میں موثر طریقے سے عمل درآمد اور نگرانی کی گئی ہے۔

- بورڈ مطمئن ہے کہ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے کام میں بہتری ہے اور کمپنی مزید کام کر سکتی ہے۔

- سٹاک ایکسچینج کے لسٹنگ ریگولیشن کے تحت کارپوریٹ گورننس کے احسن طریقوں کو اپنانے میں بڑا فرق نہیں ہے۔

شیر ہولڈنگ پیٹرن

عمومی شیر ہولڈنگ پیٹرن برائے سال 30 جون 2019 کوڈ آف کارپوریٹ گورننس کے مطابق منسلک کیا گیا ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے منافع منقسمہ برائے سال 30 جون 2019 کیلئے 10.50 روپے فی شیر تجویز کیا ہے۔



Subsidiary کمپنی اور یکی مالیاتی سٹیٹمنٹ

کمپنی کی اپنی مالیاتی سٹیٹمنٹس سمیت یکجا مالیاتی سٹیٹمنٹس، عالمی اکاؤنٹنگ معیار اور کمپنی ایکٹ 2017 کے مطابق منسلک ہیں۔
فضل کلاتھ ملز لمیٹڈ کی Subsidiary کمپنی کا مختصر تعارف درج ذیل ہے۔

Subsidiary کمپنی کا رجسٹرڈ آفس 69/7 عابد مجید، مکان نمبر 248/7، لاہور کینٹ میں واقع ہے۔ جبکہ فیکٹری قادر پور راولاں بائی پاس، خانیوال روڈ پر واقع ہے۔ کمپنی کا بنیادی کاروبار ٹیکسٹائل دھاگہ کی پیداوار اور فروخت ہے۔ فضل کلاتھ ملز لمیٹڈ Subsidiary کمپنی میں 100 فیصد شیئر ہولڈن کی مالک ہے۔ Subsidiary کمپنی کا قیام 1989 میں پبلک کمپنی کے طور پر ہوا اور اس نے اپریل 2014 میں پیداوار کا آغاز کیا۔

آڈیٹرز کی تعیناتی

میسرز KPMG Taseer Hadi & Co، چارٹرڈ اکاؤنٹنٹس فرم نے کمپنی کے ساتھ اپنی تقرری کی مدت مکمل کی ہے اور اہل ہونے کے ساتھ اپنی خدمات کو اگلی مدت 2019-2020 کے لیے پیش کیا ہے۔

انتظامیہ اور لیبر کے تعلقات

انتظامیہ اور مزدوروں کے تعلقات رواں سال دوستانہ اور پر جوش ہے۔ کمپنی ملازموں کو اہمیت دیتی ہے۔ کمپنی اپنے ملازموں کی صلاحیت میں اضافہ کے لئے سرمایہ کاری کرتی ہے کیونکہ اس کا یقین ہے کہ لوگوں پر سرمایہ کاری مستقبل پر سرمایہ کاری ہے۔ کمپنی کی ہیومن ریورس پالیسی برابری، شفافیت، اور میرٹ پر مشتمل ہے۔ کمپنی چائلڈ پروٹیکشن پر یقین رکھتی ہے اور بچوں کو ملازمت اور مزدوری پر نہیں رکھتی۔
پیداوار کے معیار کو بڑھانے کے لئے انتظامیہ اور ملازم طبقہ مل کر کوشش کر رہے ہیں اور آپس کے تعلقات میں ہم آہنگی ہے۔ بورڈ بہتر نتائج کے حصول کے لئے انتظامیہ اور ملازم طبقہ کی محنت اور کوشش کو سراہتا ہے۔

بورڈ کی طرف سے

رحمان نسیم
چیف ایگزیکٹو آفیسر

بتاریخ: ستمبر 26، 2019

عامر نسیم شیخ
ڈائریکٹر



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of the Company : FAZAL CLOTH MILLS LIMITED

Year Ended : JUNE 30, 2019

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

1. The total number of directors is seven as per the following:

- a. Male: Seven
- b. Female: Nil

The requirement of minimum number of female and independent directors on the board would be complied by within the time allowed by these regulations.

2. The composition of board is as follows:

CATEGORY	NAMES
Independent Director	1. Mr. Babar Ali
Non-Executive Directors	2. Mr. Sh. Naseem Ahmad 3. Mr. AamirNaseem Sheikh 4. Mr. Faisal Ahmed 5. Mr. Fahd Mukhtar
Executive Directors	6. Mr. Rehman Naseem 7. Mr. Fazal Ahmed Sheikh

- 3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including FAZAL CLOTH MILLS LIMITED.
- 4. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the act and these regulations.
- 7. The meetings of the Board of Directors were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- 8. The Board of Directors has a formal policy and transparent procedures for the remuneration of directors in accordance with the Act and these Regulations.



9. Three directors of the company have completed formal Directors Training Program (DTP) whereas two directors fall under exemption from the mandatory requirement for acquiring DTP certification and these two directors have obtained exemption from SECP. For the remaining two directors training has been scheduled accordingly and in process.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointment was made during the year.
11. CFO and CEO duly endorsed the financial statements before the approval of the board.
12. The board has formed committees comprising of members given below:

Name of Committee	Name of Members and Chairman
Audit Committee	<ol style="list-style-type: none"> 1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Sh. Naseem Ahmed– Member 3. Mr. Fahd Mukhtar– Member
Human Resource and Remuneration Committee	<ol style="list-style-type: none"> 1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Aamir Naseem Sheikh– Member 3. Mr. Faisal Ahmed – Member

13. The term of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (Quarterly/Half Yearly/Yearly) of the committees were as per following:
Number of the audit committee meetings held during the year was Four. The detail of audit committee Meetings is as follows:

Name of Committee Member	Designation	Number of meeting held	Meeting Attended
Mr. Babar Ali	Independent Director / Chairman Audit Committee	4	4
Mr. Sh. Naseem Ahmed	Member	4	2
Mr. Fahd Mukhtar	Member	4	3

Number of human resource and remuneration committee meeting held during the year was one. The details of human resource and remuneration committee meeting are as follows:



Name of Committee Member	Designation	Number of meeting held	Meeting Attended
Mr. Babar Ali	Chairman	1	1
Mr. Aamir Naseem Sheikh	Member	1	1
Mr. Faisal Ahmad	Member	1	1

15. The Board has set up an effective internal audit function who are considered suitably qualified.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the regulations have been complied with.

On behalf of the Board of Directors

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER
Multan: September 26, 2019

SH. NASEEM AHMAD
CHAIRMAN



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fazal Cloth Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Fazal Cloth Mills Limited (The Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 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 procedure sand risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017 . We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were under taken at arm's length price or not.

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 30 June 2019.

Lahore

Date: October 04, 2019

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co
Chartered Accountant
(Bilal Ali)





Fazal Cloth Mills Limited

Unconsolidated Financial Statements

for the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

To the members of Fazal Cloth Mills Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Fazal Cloth Mills Limited** (“the Company”), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, the 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 Unconsolidated 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated 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:

Sr. No.	Key audit matters	How the matter was addressed in our audit
01	<p>Sales</p> <p>Refer to statements of profit or loss and note 4.17 and 28 to the unconsolidated financial statements.</p> <p>The Company recognized revenue of Rs. 36,341.10 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key</p>	<p>Our audit procedures to assess recognition of sales, amongst others, included the following:</p> <ul style="list-style-type: none"> Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of key internal controls; Assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; Comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery



Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>the key performance indicator of the Company and gives rise to a risk that revenue is recognized without transferring the control.</p>	<ul style="list-style-type: none"> • Comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • Comparing a sample of sale transactions recorded around the year with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period; • Comparing, on a sample basis, specific sale transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and • Scanning for any manual journal entries relating to sales raised during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
<p>02</p>	<p>Capitalization of property, plant and equipment</p> <p>Refer notes 4.2 and 16 to the unconsolidated financial statements.</p> <p>The Company has made significant capital expenditure on expansion of manufacturing facilities.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> • Understanding the design and implementation of management controls over capitalization and testing control over authorization of capital expenditure and accuracy of its recording in the system; • Testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • Assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and • Inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.



Sr. No.	Key audit matters	How the matter was addressed in our audit
03	<p>Impairment testing of investment in associate</p> <p>Refer note 4.14.1 and 17 to the unconsolidated financial statements.</p> <p>Long term investments in associates includes investment of Rs. 1,374.21 million in Fatima Energy Limited, an unquoted associated undertaking.</p> <p>As at 30 June 2019, management conducted an impairment test to assess the recoverability of the carrying value of investment in the associate. This was performed using a discounted cash flow model.</p> <p>We identified assessing the carrying value of investment in associate as a key audit matter because significant degree of management judgment involved in assessing its recoverable amount.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Discussing with the Company's management key assumptions used in the valuation model and testing the mathematical accuracy of the model; • Involving our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by management in its discounted cash flow analysis (i.e. growth rate, terminal values and the discount rate) used to derive the recoverable amount investment in associate; and • Comparing the recoverable amount with the cost of investment to identify impairment, if any.

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about



the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

Lahore

Date: October 04, 2019

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co
Chartered Accountant
(Bilal Ali)





Unconsolidated Statement of Financial Position

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
<u>Share capital and reserves</u>			
Authorized share capital		700,000,000	700,000,000
Issued, subscribed and paid-up capital	5	300,000,000	300,000,000
<i>Capital reserves</i>			
- Others capital reserves	6	1,373,543,815	1,525,440,947
- Revaluation surplus on property, plant and equipment	7	9,038,995,462	9,574,659,705
Unappropriated profits - revenue reserve		10,212,704,818	8,615,376,351
		20,925,244,095	20,015,477,003
<u>Non-current liabilities</u>			
Long term financing - secured	8	7,984,533,368	7,042,048,037
Long term musharika - secured	9	1,685,416,667	1,061,250,000
<i>Deferred liabilities:</i>			
- Staff retirement benefit	10	255,329,914	252,712,792
- Deferred taxation	10	3,022,411,367	2,267,972,077
		12,947,691,316	10,623,982,906
<u>Current liabilities</u>			
Current portion of non-current liabilities	11	2,142,163,428	1,828,059,070
Trade and other payables	12	3,326,593,203	2,487,618,463
Unclaimed dividend		12,340,081	8,971,945
Short term borrowings - secured	13	9,910,552,807	7,953,052,718
Accrued mark-up	14	406,891,427	275,093,224
		15,798,540,946	12,552,795,420
Contingencies and commitments	15	49,671,476,357	43,192,255,329

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.


(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER



As at 30 June 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	16	24,000,031,655	22,331,867,219
Long term investments	17	3,590,236,962	3,742,134,094
Long term loan and advances	18	2,435,124,267	1,636,826,351
Long term deposits		24,071,493	24,071,493
		30,049,464,377	27,734,899,157
<u>Current assets</u>			
Stores, spares and loose tools	19	665,347,135	499,684,798
Stock-in-trade	20	10,942,040,120	8,124,450,558
Trade debts	21	5,432,387,658	4,842,378,886
Loans and advances	22	567,894,315	142,136,368
Deposits, prepayments and other receivables	23	352,249,486	538,407,396
Mark-up accrued	24	293,102,880	139,636,009
Short term investment	25	182,682,000	198,288,000
Tax refunds due from the Government - net	26	1,025,741,886	904,416,578
Cash and bank balances	27	160,566,500	67,957,579
		19,622,011,980	15,457,356,172
		49,671,476,357	43,192,255,329


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Unconsolidated Statement of Profit or Loss
For the year ended 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
Sales - <i>net</i>	28	36,341,096,535	31,288,368,918
Cost of sales	29	(31,998,617,257)	(28,552,922,105)
Gross profit		4,342,479,278	2,735,446,813
Selling and distribution expenses	30	(223,255,005)	(281,946,490)
Administrative expenses	31	(318,076,609)	(282,392,249)
Other expenses	32	(229,021,909)	(128,210,692)
		(770,353,523)	(692,549,431)
Other income	33	686,282,875	542,254,122
Profit from operations		4,258,408,630	2,585,151,504
Finance cost	34	(1,894,233,560)	(1,143,949,532)
Profit before taxation		2,364,175,070	1,441,201,972
Taxation	35	(848,672,309)	(227,696,902)
Profit after taxation		1,515,502,761	1,213,505,070
Earnings per share - <i>basic and diluted</i>	36	50.52	40.45

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	2019 Rupees	2018 Rupees
Profit after taxation	1,515,502,761	1,213,505,070
<u>Other comprehensive income - net of tax</u>		
<i>Items that will never be reclassified to statement of profit or loss:</i>		
Re-measurement of defined benefit liability	26,164,992	(13,120,420)
Related tax impact	(4,853,241)	2,386,597
	21,311,751	(10,733,823)
Revaluation surplus on property, plant and equipment	-	3,713,139,051
Related deferred tax liability on revaluation surplus on property, plant and equipment	-	(288,947,243)
	-	3,424,191,808
Net change in fair value of financial assets at FVOCI	(151,897,132)	(81,262,300)
Total comprehensive income for the year	1,384,917,380	4,545,700,755

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Unconsolidated Statement of Changes in Equity For the year ended 30 June 2019

	Capital reserves				Revenue reserve		Total
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
Balance as at 30 June 2017	300,000,000	77,616,000	175,000,000	1,354,087,247	6,306,367,002	7,296,152,237	15,509,222,486
----- Rupees -----							
<u>Total comprehensive income for the year :</u>							
Profit for the year ended 30 June 2018	-	-	-	-	-	1,213,505,070	1,213,505,070
Other comprehensive (loss)/ income for the year	-	-	-	(81,262,300)	3,424,191,808	(10,733,823)	3,332,195,685
	-	-	-	(81,262,300)	3,424,191,808	1,202,771,247	4,545,700,755
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	118,053,762	-	118,053,762
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - <i>net of tax</i>	-	-	-	-	(256,620,529)	256,620,529	-
Transfer from surplus on revaluation of fixed assets on disposal - <i>net of tax</i>	-	-	-	-	(17,332,338)	17,332,338	-
<u>Transactions with the owners of the Company :</u>							
Cash dividend @ Rs. 5.25 per ordinary share for the year ended 30 June 2017	-	-	-	-	-	(157,500,000)	(157,500,000)
Balance as at 30 June 2018 - brought forward	300,000,000	77,616,000	175,000,000	1,272,824,947	9,574,659,705	8,615,376,351	20,015,477,003



Unconsolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 Rupees	2018 Rupees
<u>Cash flows from operating activities</u>			
Profit before taxation		2,364,175,070	1,441,201,972
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	16.1.1	991,566,002	863,183,447
Unrealized loss on re-measurement of short term investment	32	15,606,000	7,894,800
Loss allowance for trade debts	32	18,511,484	8,856,467
Sales tax receivable written off		7,742,484	-
Provision for gratuity	10.1.3	124,917,855	110,624,434
Provision for infrastructure cess		84,412,919	54,160,838
Provision for workers' profit participation fund	12.3	118,818,402	76,440,221
Provision for workers' welfare fund	12.4	21,766,333	11,162,227
Loss on disposal of property, plant and equipment	32	34,486,940	10,389,043
Loss on sale of short term investments	32	-	818,600
Dividend income	33	(120,949,554)	(156,406,569)
Finance cost	34	1,894,233,560	1,134,481,766
Cash generated from operations before working capital changes		5,555,287,495	3,562,807,246
<u>Effect on cash flows due to working capital changes</u>			
<i>(Increase)/ decrease in current assets:</i>			
Stores, spares and loose tools		(165,662,337)	85,406,483
Stock-in-trade		(2,817,589,562)	(1,703,984,814)
Trade debts		(617,376,723)	(608,194,784)
Loans and advances		(425,757,947)	608,032,969
Deposits, prepayments and other receivables		186,157,910	(281,658,332)
		(3,840,228,659)	(1,900,398,478)
<i>Increase in current liabilities:</i>			
Trade and other payables		613,977,086	436,752,225
Cash generated from operations		2,329,035,922	2,099,160,993
Gratuity paid	10.1.2	(96,135,741)	(75,436,613)
Taxes paid - net		(439,447,872)	(261,798,002)
		(535,583,613)	(337,234,615)
Net cash generated from operating activities		1,793,452,309	1,761,926,378
<u>Cash flows from investing activities</u>			
Fixed capital expenditure		(2,712,083,509)	(1,562,832,238)
Proceeds from sale of property, plant and equipment		17,866,130	34,561,949
Long term loan and advances		(798,297,916)	(764,278,306)
Proceeds from sale of short term investments		-	12,657,400
Long term deposits		-	375,000
Dividend received from associated company		120,949,554	156,406,569
Net cash used in investing activities		(3,371,565,741)	(2,123,109,626)
<u>Cash flows from financing activities</u>			
Long term financing obtained		2,608,778,944	2,483,887,998
Long term financing repaid		(1,510,522,588)	(1,406,940,011)
Long term musharika obtained		1,100,000,000	500,000,000
Long term musharika repaid		(317,500,000)	(342,500,000)
Short term borrowings - net		1,957,500,089	436,906,059
Finance cost paid - net		(1,915,902,228)	(1,202,040,181)
Dividend paid		(251,631,864)	(156,500,316)
Net cash generated from financing activities		1,670,722,353	312,813,549
Net Increase/ (decrease) in cash and cash equivalents		92,608,921	(48,369,699)
Cash and cash equivalents at beginning of the year		67,957,579	116,327,278
Cash and cash equivalents at end of the year		160,566,500	67,957,579

The annexed notes from 1 to 48 form an integral part of these unconsolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2019

1 Corporate and general information

1.1 Reporting entity

Fazal Cloth Mills Limited ('the Company') was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

2 Basis of preparation

2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared and presented separately.

The Company has following major investments:

Name of the company	Shareholding	Nature	Place of business
<u>Subsidiary</u>			
Fazal Weaving Mills Limited ('FWML')	100%	Spinning unit	Qadirpur Rawan, Khanewal Road Multan
<u>Associates</u>			
Fatima Energy Limited ('FEL')	24.11%	Energy generation	Sanawan, Kot Addu, Punjab
Fatima Transmission Company Limited ('FTCL')	24.00%	Transmission of energy	Sanawan, Kot Addu, Punjab
Fatima Electric Company Limited ('FECL')	20.00%	Energy generation	Khayaban-e-Jinnah Lahore Cantt



2.2 Statement of compliance

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

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

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

2.3 Basis of measurement

These unconsolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, recognition of staff retirement benefits at present value and revaluation of certain financial instruments at fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.4 Functional and presentation currency

These unconsolidated financial statements have been prepared in Pak Rupees ('Rs.')

which is the Company's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.5 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, 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 from 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 a continuous 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 affected.

The areas where assumptions and estimates are significant to the Company's unconsolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

2.5.1 Property, plant and equipment

The Company reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period unto which the such benefits are



expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.2 Recoverable amount of assets/ cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

2.5.4 Stores, spares, loose tools and stock-in-trade

The Company reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

2.5.5 Expected credit loss (ECL)/ Loss allowance against trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances

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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Company reviews the recoverability of its trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances to assess amount of loss allowance required on an annual basis.



2.5.6 Provisions and Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. 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. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

2.5.7 Employee benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 10.1.

2.5.8 Taxation

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

The Company also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

3 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's unconsolidated financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease



payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IFRS 9 ‘Financial Instruments’ – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are ‘solely payments of principal and interest’. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company’s unconsolidated financial statements.
- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company’s unconsolidated financial statements.
- Amendments to IAS 19 ‘Employee Benefits’ - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company’s unconsolidated financial statements.
- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments is not likely to have an impact on Company’s unconsolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the



IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

4 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all periods presented in these unconsolidated financial statements, except as disclosed in note 4.1.

4.1 Changes in accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these unconsolidated financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:



4.1.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. The Company manufactures yarn, fabric and allied products and contracts with customers for the sale of goods which generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Company recognized in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018, did not have a material impact on the amounts of revenue recognized in these unconsolidated financial statements. Company's accounting policy relating to revenue recognition is explained in note 4.17 of these unconsolidated financial statements.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to 'contract liabilities'. Previously, these amounts were classified as "advances from customers".

Impact on financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 45.15 million and advance from customers decreased by the same amount.

4.1.2 IFRS 9 - Financial instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.2.1 Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through profit or loss (FVTPL); and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.



A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in unconsolidated statement of profit or loss. Any gain on derecognition is recognised in unconsolidated statement of profit or loss.

For assets measured at fair value, gains and losses will either be recorded in unconsolidated statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividend income is recognized in profit or loss.

4.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Long term investments in Listed equity	Available for sale	FVOCI	2,041,006,604	2,041,006,604
Unlisted equity security	At cost	FVOCI*	21,644,000	21,644,000
Long term loan and advances	Loans and receivable	Amortized cost	1,636,826,351	1,636,826,351
Long term deposits	Loans and receivable	Amortized cost	24,071,493	24,071,493
Trade debts	Loans and receivable	Amortized cost	4,842,378,886	4,842,378,886
Loans and advances - short term	Loans and receivable	Amortized cost	142,136,368	142,136,368
Other receivables	Loans and receivable	Amortized cost	10,262,392	10,262,392
Mark-up accrued	Loans and receivable	Amortized cost	139,636,009	139,636,009
Short term investment	FVTPL	FVTPL	198,288,000	198,288,000
Cash and bank balances	Loans and receivable	Amortized cost	67,957,579	67,957,579



* Since the impact of fair value adjustment was not material the same has been accounted for in the current year.

Company's accounting policy relating to financial instruments is explained in note 4.12 of these unconsolidated financial statements.

4.1.2.3 Impairment of financial assets

The adoption of IFRS 9 has changed the Company's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9. Cash and bank balances, long term deposits, loan and advances, mark up accrued and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on loans and advances and markup accrued from associated companies are measured at 12 months expected credit losses and with respect to external credit ratings of the holding company of the associates. As there is no adverse change in credit rating of the holding company, no credit loss is expected on these balances.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

Considering the quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information, no loss allowance has been recorded against trade debts upon transition of IFRS 9 as of 1 July 2018 and Rs. 18.81 million has been recorded during the year ended 30 June 2019.

4.2 Property, plant and equipment

Owned

Freehold land is measured at revalued amount less impairment if any.

Factory building', 'non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and identified impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting



trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 16.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in unconsolidated statement of profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2019 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 4.6. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

4.3 Revaluation surplus on property, plant and equipment

Revaluation of items of property, plant and equipment measured at revalued amount 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 arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax).

4.4 Lease

Operating lease

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to unconsolidated statement of profit or loss on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Company's benefit.



4.5 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

4.6 Borrowings cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.7 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in unconsolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014. Under this approach the Company is accounting for the related taxes under standalone taxpayer approach. Under this approach current and deferred taxes are recognised as if the entity was taxable in its own right.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. 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.

Further, the Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in statement of profit or loss, any related tax effects are also recognised in statement of profit or loss. For transactions and other events recognised outside unconsolidated statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside profit and loss (either in other comprehensive income or directly in equity, respectively).



4.8 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in unconsolidated statement of profit or loss.

4.9 Staff retirement benefits

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Company determines the net interest expense/ (income) on the net defined benefit liability/ (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability/ (asset), taking into account any changes in the net defined benefit liability/ (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in unconsolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in unconsolidated statement of profit or loss. The Company recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

4.10 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. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.



4.11 Contingent liabilities

A contingent liability is disclosed when:

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

4.12 Financial instruments

4.12.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

4.12.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL)

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

Amortized cost

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in unconsolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, long term deposits, loan and advances, mark up accrued, trade debts and other receivables.



Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in unconsolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to unconsolidated statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to unconsolidated statement of profit or loss.

Financial assets measured at FVOCI comprise of long term investments in equity securities as detailed in note 17 of these unconsolidated financial statements.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial asset measured at FVTPL comprise of short term investments in equity securities as detailed in note 25 of these unconsolidated financial statements.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.



In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in unconsolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in unconsolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in unconsolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, dividend payable and accrued markup.

4.12.3 Derecognition

Financial assets

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

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in unconsolidated statement of profit or loss.

4.12.4 Trade debts, deposits and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.



4.12.5 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Company measured its long term advances and related markup to subsidiary and associated companies under the General approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.



An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.12.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Mark - up bearing borrowings

Mark-up bearing borrowings are recognized at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amount (as reduced by periodic payment) and redemption value is recognized in the unconsolidated statement of profit or loss over the period of the borrowings on an effective rate basis.

4.14 Investments

Investment intended to be held for less than twelve months from the statement of financial position date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non current assets. Management determine the appropriate classification of its investments at the time of the purchase and reevaluates such designation on a regular basis.

4.14.1 Investments in subsidiary and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost less impairment, if any, in the Company's separate financial statements. At subsequent reporting date, the recoverable amounts of investments are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Investments in subsidiaries and associates that have suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Impairment losses recognised in the statement of profit or loss on investments in subsidiaries and associates are reversed through the statement of profit or loss.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27, 'Separate Financial Statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

4.15 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.



4.16 Stock-in-trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

Raw materials	Weighted average cost
Work-in-process and finished goods	Cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit comprises of invoice value plus other charges paid thereon.

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

4.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods, net of returns, allowances, trade discounts, rebates and sales tax. Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or services to a customer, and control either transfers over time or point in time.

4.18 Other Income

Other income comprises dividend income, exchange gain, markup accrued and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

4.19 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand and cash at banks.

4.21 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company discloses the operating segment in consolidated financial statements.



4.22 Earnings per share ('EPS')

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

Diluted EPS is calculated by adjusting basic EPS by the 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 and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.23 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

5 Issued, subscribed and paid-up capital

	2019 ---- (Number of shares) ----	2018	2019 ----- (Rupees) -----	2018
Ordinary shares of Rs. 10 each fully paid in cash	1,000,000	1,000,000	10,000,000	10,000,000
Ordinary shares of Rs. 10 each fully paid as right shares	9,187,200	9,187,200	91,872,000	91,872,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	19,812,800	19,812,800	198,128,000	198,128,000
	<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>

5.1 As at the statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2019 ----- (Number of shares) -----	2018	2019 ----- (Percentage of holding) -----	2018
Fazal Holdings (Private) Limited	7,346,541	7,346,541	24.49	24.49
Mr. Rehman Naseem	3,101,320	3,101,320	10.34	10.34
Mr. Fawad Ahmed Mukhtar	2,415,422	2,415,422	8.05	8.05
Mr. Fazal Ahmed Sheikh	2,041,611	2,041,611	6.81	6.81
Mr. Faisal Ahmed Mukhtar	2,039,865	2,039,865	6.80	6.80
Mr. Abdullah Amir Fazal	1,421,639	1,421,639	4.74	4.74
Mr. Muhammad Yousaf Amir	1,421,638	1,421,638	4.74	4.74
Fatima Holding Limited	1,176,847	1,176,847	3.92	3.92
Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh	1,012,970	1,012,970	3.38	3.38
Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh	1,012,969	1,012,969	3.38	3.38
Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Ibrahim Mukhtar S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Fahad Mukhtar	579,715	579,715	1.93	1.93
Mr. Ali Mukhtar				



	2019 ----- (Number of shares) -----	2018	2019 ----- (Percentage of holding) -----	2018
S/O Fawad Ahmed Mukhtar	536,207	536,207	1.79	1.79
Mr. Abbas Mukhtar				
S/O Fawad Ahmed Mukhtar	536,206	536,206	1.79	1.79
Mr. Amir Naseem Sheikh	82,828	82,828	0.28	0.28
Mr. Sheikh Naseem Ahmad	8,820	8,820	0.03	0.03
Mrs. Mahnaz Amir Sheikh	4,447	4,447	0.01	0.01
Reliance Commodities (Private) Limited	500	500	0.002	0.002

6 Capital reserves	<i>Note</i>	2019 Rupees	2018 Rupees
<u>Share premium</u>			
Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001		63,360,000	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002		14,256,000	14,256,000
	6.1	77,616,000	77,616,000
Capital redemption reserve	6.2	175,000,000	175,000,000
Fair value reserve	6.3	1,120,927,815	1,272,824,947
		1,373,543,815	1,525,440,947

6.1 This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

6.2 This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

6.3 This represents fair value adjustment on investments classified as fair value through OCI and is not available for distribution to the shareholders.

7 Revaluation surplus on property, plant and equipment	2019 Rupees	2018 Rupees
<u>Gross surplus</u>		
Balance at 01 July	10,710,810,909	7,340,160,890
Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax	-	3,424,191,808
Related deferred tax liability	-	288,947,243
		3,713,139,051
Effect of disposal of operating fixed assets during the year - net of deferred tax	(18,200,980)	(17,332,338)
Related deferred tax liability	(4,145,763)	(4,336,118)
	(22,346,743)	(21,668,456)
Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	(297,312,975)	(256,620,529)
Related deferred tax liability	(67,704,993)	(64,200,047)
	(365,017,968)	(320,820,576)
Balance at 30 June	10,323,446,198	10,710,810,909



	2019 Rupees	2018 Rupees
<u>Deferred tax liability on revaluation surplus</u>		
Balance at 01 July	1,136,151,204	1,033,793,888
Related deferred tax liability:		
- Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax	-	288,947,243
- Effect of disposal of operating fixed assets during the year - net of deferred tax	(4,145,763)	(4,336,118)
- Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	(67,704,993)	(64,200,047)
	(71,850,756)	220,411,078
Effect of change in tax and proration rate	220,150,288	(118,053,762)
Balance at 30 June	1,284,450,736	1,136,151,204
Revaluation surplus on property, plant and equipment - net of tax	9,038,995,462	9,574,659,705

7.1 Property, plant and equipment of the Company except office equipment, furniture and fittings and vehicles had been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association, resulting in recognition of additional surplus of Rs. 3,713 million. Previously, the revaluation was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively.

Freehold land

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants, of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

Factory and non-factory building

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

Plant and machinery and others fixed assests

Plant and machinery and other fixed assets have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.



8 Long term financing - secured

Long term financing:
- banking companies
- other financial institutions

Note	2019 Rupees	2018 Rupees
8.1	8,261,697,749	7,265,110,059
8.2	1,389,165,714	1,287,497,048
	<u>9,650,863,463</u>	<u>8,552,607,107</u>
//	<u>(1,666,330,095)</u>	<u>(1,510,559,070)</u>
	<u>7,984,533,368</u>	<u>7,042,048,037</u>

Current portion of long term financing

8.1 Banking companies:

Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Askari Bank Limited					
- Term finance - TF	333,333,334	400,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in ten equal half yearly installments of Rs. 33.33 million each, ending on 19 February 2024.	1st joint pari passu charge/ mortgage of Rs.1,266.50 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance - TF	500,000,000	-	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 26 May 2021.	
	833,333,334	400,000,000			
Soneri Bank Limited					
- Term finance - TF	14,963,523	44,945,284	3 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment ending on 11 December 2019.	
- Term finance - TF	35,000,000	105,000,000	3 Months KIBOR + 1.00%	Balance principal is payable in one instalment, ending on 27 August 2019.	
- Term finance - TF	120,000,000	200,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in six equal quarterly installments of Rs. 20 million each, ending on 13 October 2020.	
- Term finance - TF	-	32,473,454	3 Months KIBOR + 1.10%	Entire amount of term finance transferred to SBP's LTFF scheme during the year.	
- Term finance - TF	492,111,404	-	SBP rate + 1.10%	Balance principal amount is payable in thirty two equal quarterly installments of Rs. 15.38 million each, beginning on 20 September 2020. Entire amount of loan was obtained and transferred to SBP's LTFF scheme.	
	662,074,927	382,418,738			



Lender	Rate of mark up per annum		Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018	2019	2018	
Faysal Bank Limited					
- Term finance - TF	-	20,000,000	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last installment of principal amount paid as on 20 July 2018.	1st joint pari passu charge/ mortgage of Rs. 729 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance - TF	-	23,758,651	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last installment of principal amount paid as on 06 October 2018.	
- Term finance - TF	-	14,802,784	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last installment of principal amount paid as on 02 January 2019.	
- Term finance - TF	20,000,000	60,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment, ending on 07 December 2019.	
		20,000,000		118,561,435	
Habib Bank Limited					
- Demand finance under LTFF Scheme	428,426,984	428,426,984	SBP rate + 0.50% (fixed rate)	Balance principal is payable in sixteen equal half yearly installments of Rs. 26.78 million each, beginning on 29 September 2019.	1st joint pari passu charge/ mortgage of Rs. 700 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
	428,426,984	428,426,984			
National Bank of Pakistan					
- Demand finance - VII	144,320,113	202,048,157	6 Months KIBOR + 1.25%	Balance principal amount is payable in ten equal quarterly installments of Rs. 14.43 million each, ending on 03 December 2021.	1st joint pari passu charge/ mortgage of Rs. 1,882 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Demand finance - VII under LTFF Scheme	72,448,066	101,427,290	SBP rate + 1.25% (fixed rate)	Balance principal amount is payable in ten equal quarterly installments of Rs. 7.24 million each, ending on 03 December 2021.	
- Demand finance - IX under LTFF Scheme	63,424,160	-	SBP rate + 0.60% (fixed rate)	This demand finance was obtained and transferred to SBP's LTFF scheme. This loan is payable in thirty six equal quarterly installments of principal amount of Rs. 1.76 million each, beginning on 08 July 2020.	
- Demand finance - IX	53,388,920	-	6 Months KIBOR + 1.00%	This demand finance was obtained during the year. Principal amount is payable in thirty six equal quarterly installments of principal amount of Rs. 1.48 million each, beginning on 08 July 2020.	
	333,581,259	303,475,447			



Lender	Rate of mark up per annum		Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018	2019	2018	
----- Rupees -----					
United Bank Limited					
- Demand finance	20,000,000	60,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment, ending on 03 September 2019.	1st joint pari passu charge/ mortgage of Rs. 1,814 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Demand finance - II under LTFF Scheme	808,065,453	923,503,367	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly installments of Rs. 57.72 million each, ending on 30 June 2026.	
- Demand finance - III	262,500,000	300,000,000	6 Months KIBOR + 1.10%	Balance principal amount is payable in seven equal half yearly installments of Rs. 37.50 million each, ending on 30 November 2022.	
	1,090,565,453	1,283,503,367			
MCB Bank Limited					
- Term finance	240,000,000	400,000,000	3 Months KIBOR + 0.60%	Balance principal amount is payable in three equal half yearly installments of Rs. 80 million each, ending on 31 October 2020.	1st joint pari passu charge/ mortgage of Rs. 820 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Demand finance	-	46,587,716	6 Months KIBOR + 0.70%	This facility has been fully repaid during the year, last installment of principal amount paid as on 28 November 2018.	
	240,000,000	446,587,716			
Allied Bank Limited					
- Term loan - IV	-	62,175,975	6 Months KIBOR + 0.90%	This facility has been fully repaid during the year, last installment of principal amount paid as on 08 December 2018.	1st joint pari passu charge/ mortgage of Rs. 2,787 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Term loan - V	72,810,396	109,215,594	6 Months KIBOR + 0.90%	Balance principal amount is payable in four equal half yearly installments of Rs. 18.20 million each, ending on 26 February 2021.	
- Term loan - VI	208,333,331	291,666,665	6 Months KIBOR + 0.90%	Balance principal amount is payable in five equal half yearly installments of Rs. 41.67 million each, ending on 06 August 2021.	
- Term loan - VII	442,627,983	442,627,983	6 Months KIBOR + 0.65%	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 27.67 million each, beginning on 02 September 2019.	
- Term loan - VI under LTFF Scheme	355,040,698	355,040,698	SBP Rate+0.50% (fixed rate)	Balance principal is payable in sixteen equal half yearly installments of Rs. 22.19 million each, beginning on 02 March 2020.	
- Term loan - VIII	-	16,269,083	6 Months KIBOR + 0.50%	Entire amount has been transferred to SBP's LTFF scheme.	
- Term loan -VIII under SBP's LTFF scheme	689,994,325	-	SBP rate + 0.50%	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 43.12 million each, beginning on 04 January 2021.	
- Term loan -IX	32,644,463	-	6 Months KIBOR + 0.75%	Principal amount is payable in sixteen equal half yearly installments of Rs. 2.04 million each, beginning on 04 September 2021.	
	1,801,451,196	1,276,995,998			



Lender	Rate of mark up per annum		Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018	2019	2018	
----- Rupees -----					
The Bank of Khyber					
- Term finance	104,600,444	174,334,076	6 Months KIBOR + 0.75%	Balance principal amount is payable in three equal half yearly installments of Rs. 34.87 million each, ending on 25 July 2020.	1st joint pari passu charge/ mortgage of Rs. 856 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Demand finance - II	112,500,000	187,500,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in three equal half yearly installments of Rs. 37.50 million each, ending on 13 October 2020.	
- Demand Finance under LTFF scheme	350,000,000	-	SBP rate + 0.60%	Principal amount is payable in ten equal half yearly installments of Rs. 35 million, beginning on 27 February 2021.	
	567,100,444	361,834,076			
The Bank of Punjab					
- Term finance	104,000,887	145,601,241	6 Months KIBOR + 0.85%	Balance principal amount is payable in five equal half yearly installments of Rs. 20.80 million each, ending on 29 September 2021.	1st joint pari passu charge/ mortgage of Rs. 2,320 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance under LTFF Scheme	500,000,000	500,000,000	SBP rate + 0.50%	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 31.25 million, beginning on 17 July 2019.	
	600,000,000	600,000,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in twelve equal half yearly installments of Rs. 50 million each, beginning on 25 April 2020.	
	-	238,631,609	6 Months KIBOR + 0.75%	Entire amount of term finance transferred to SBP's LTFF scheme during the year.	
	499,913,265	85,323,448	SBP rate + 0.75% (fixed rate)	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 31.24 million each, beginning on 15 June 2020.	
	1,703,914,152	1,569,556,298			
Standard Chartered Bank (Pakistan) Ltd					
- Term finance	281,250,000	393,750,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in five equal half yearly installments of Rs. 56.25 million each, ending on 06 October 2021.	1st joint pari passu charge/ mortgage of Rs. 952 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
JS Bank Limited					
- Term finance	300,000,000	300,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in eight equal half yearly installments of Rs. 37.50 million each, beginning on 24 July 2019.	1st joint pari passu charge/ mortgage of Rs. 400 million on all present and future plant & machinery of the Company and personal guarantees of the sponsoring directors.
	8,261,697,749	7,265,110,059			



8.2 Other financial institutions:

Lender	Rate of mark up per annum		Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018			
----- Rupees -----					
Pak Brunei Investment Company Limited					
- Term finance	16,665,714	49,997,048	3 Months KIBOR + 0.80%	Balance principal is payable in one equal half yearly instalments of Rs. 16.67 million each, ending on 02 November 2019.	1st joint pari passu charge/ mortgage of Rs. 673 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	187,500,000	250,000,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in six equal half yearly instalments of Rs. 31.25 million each, ending on 23 January 2022.	
	204,165,714	299,997,048			
Pak Oman Investment Company Limited					
- Term finance	87,500,000	137,500,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in seven equal quarterly instalments of Rs. 12.50 million each, ending on 25 March 2021.	1st joint pari passu charge/ mortgage of Rs. 1,265 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	297,500,000	350,000,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in seventeen equal quarterly instalments of Rs. 17.50 million each, ending on 23 September 2023.	
- Term finance	500,000,000	500,000,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in twenty equal quarterly instalments of Rs. 25 million each, beginning on 24 April 2020.	
	885,000,000	987,500,000			
Saudi Pak Industrial & Agricultural Investment Co. Ltd					
- Term finance	300,000,000	-	6 Months KIBOR + 2.25%	Principal amount is payable in twelve equal half yearly instalments of Rs. 25 million each, beginning on 23 July 2021.	Ranking charge over plant & machinery amounting to Rs. 400 million. It will be upgraded to 1st joint pari passu charge/ mortgage on all present and future fixed assets of the Company with deferral time period.
	1,389,165,714	1,287,497,048			

8.3 The Company has un-availed long term facilities amounting to Rs. Nil (2018: Rs. 240.63 million).

8.4 As per the financing document, the Company is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payment.



Note
2019 Rupees
2018 Rupees

9 Long term musharika - secured

Islamic mode of financing

Long term musharika - banking companies
Less: Current portion of long term musharika

9.1	2,161,250,000	1,378,750,000
//	(475,833,333)	(317,500,000)
	<u>1,685,416,667</u>	<u>1,061,250,000</u>

9.1 Banking companies:

Lender	Rupees		Rate of profit per Annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Meezan Bank Limited					
- Diminishing musharika - III	30,000,000	60,000,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in two equal half yearly instalments of Rs. 15 million each, ending on 20 January 2020.	Exclusive charge of Rs. 200 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Company.
- Diminishing musharika	500,000,000	-	6 Months KIBOR + 1.25%	Balance principal amount is payable in eight equal half yearly instalments of Rs. 62.50 million each, beginning on 28 May 2021.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
	530,000,000	60,000,000			
Dubai Islamic Bank Pakistan Limited					
- Diminishing musharika	250,000,000	350,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in five equal half yearly instalments of Rs. 50 million each, ending on 09 October 2021.	1st joint pari passu charge/ mortgage of Rs. 1,537 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Diminishing musharika	600,000,000	-	6 Months KIBOR + 2.00%	Principal amount is payable in eight equal half yearly instalments of Rs. 75 million each, beginning on 02 April 2020.	
	850,000,000	350,000,000			
Standard Chartered Bank (Pakistan) Limited					
- Diminishing musharika	281,250,000	468,750,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in three equal half yearly instalments of Rs. 93.75 million each, ending on 27 August 2020.	1st joint pari passu charge/ mortgage of Rs. 952 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
Faysal Bank Limited					
- Diminishing musharika	500,000,000	500,000,000	3 Months KIBOR + 0.75%	Balance principal amount is payable in six equal half yearly instalments of Rs. 83.33 beginning on 06 June 2020.	1st joint pari passu charge/ mortgage of Rs. 729 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
	<u>2,161,250,000</u>	<u>1,378,750,000</u>			



10	Deferred liabilities	Note	2019 Rupees	2018 Rupees
	Staff retirement benefit - Gratuity	10.1	255,329,914	252,712,792
	Deferred taxation	10.2	3,022,411,367	2,267,972,077
			<u>3,277,741,281</u>	<u>2,520,684,869</u>
10.1	Staff retirement benefit - Gratuity			
	The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2019 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:			
10.1.1	The amounts recognized in the statement of financial position is as follows:	Note	2019 Rupees	2018 Rupees
	Present value of defined benefit obligation liability at 30 June	10.1.2	<u>255,329,914</u>	<u>252,712,792</u>
10.1.2	Movement in the liability for defined benefit obligation recognized in the 'Statement of financial position' is as follows:			
	Liability for defined benefit obligation at 01 July		252,712,792	204,404,551
	Current service cost	10.1.3	106,499,812	97,706,250
	Interest cost on defined benefit obligation	10.1.3	18,418,043	12,918,184
	Actuarial (gain)/ loss charged to 'Other Comprehensive Income'	10.1.5	(26,164,992)	13,120,420
	Benefits paid during the year		<u>(96,135,741)</u>	<u>(75,436,613)</u>
	Liability for defined benefit obligation at 30 June		<u>255,329,914</u>	<u>252,712,792</u>
10.1.3	The amounts recognized in the 'Statement of profit or loss' against defined benefit plan are as follows:			
	Current service cost		106,499,812	97,706,250
	Interest cost		18,418,043	12,918,184
			<u>124,917,855</u>	<u>110,624,434</u>
10.1.4	Charge to 'Statement of profit or loss' against defined benefit plan has been allocated as under			
	Cost of sales		110,403,952	96,110,535
	Selling and distribution expense		2,089,236	858,000
	Administrative expense		12,424,667	13,655,899
			<u>124,917,855</u>	<u>110,624,434</u>
10.1.5	Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:			
	<u>Remeasurement loss defined benefit obligation due to:</u>			
	- changes in demographic assumptions		4,190,342	-
	- changes in financial assumptions		4,611,611	1,145,245
	- change in experience adjustment		(34,966,945)	11,975,175
			<u>(26,164,992)</u>	<u>13,120,420</u>
10.1.6	Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :			
	The following are the principal actuarial assumptions at the reporting date:			
			2019	2018
	Discount rate used for interest cost		9.00% per anum	7.75% per anum
	Discount rate used for year end obligation		14.25% per anum	9.00% per anum
	Expected rate of growth per annum in future salaries		13.25% per anum	8.00% per anum
	Mortality rates		SLIC (2001 - 05)	SLIC (2001 - 05)
	Retirement assumption		Setback 1 Year Age 60	Setback 1 Year Age 60

10.1.7 Weighted average duration of defined benefit obligation is five years, whereas, maturity profile of the defined benefit obligation with regards to time distribution of benefit payments for first year, second year, third year, fourth year, fifth year and more than fifth year are Rs. 80.29 million, Rs. 70.50 million, Rs. 63.70 million, Rs. 63.08 million, Rs. 62.25 million and Rs. 5,942.02 million, respectively.

10.1.8 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2019		2018	
	Impact on defined benefit obligation		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Change in assumption	Increase in assumption
	Percentage	Rupees	Percentage	Rupees
Discount rate	1.00%	<u>242,704,925</u>	1.00%	<u>237,482,745</u>
Salary growth rate	1.00%	<u>270,465,449</u>	1.00%	<u>271,118,146</u>
		<u>241,721,722</u>		<u>236,463,234</u>

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

10.1.9 The Company expects to charge Rs. 111.92 million against current service cost and Rs. 30.66 million against net interest cost, aggregating to Rs. 142.58 million, to 'Statement of Profit or Loss' in respect of defined benefit plan in 2020.



2018					
Balance at 01 July	Effect of change in tax rate and proration rate		(Reversal from) / charge to		Balance at 30 June
	Equity	'Statement of profit or loss'	'Statement of profit or loss'	'Other comprehensive income'	
----- Rupees -----					
	1,033,793,888	(118,053,762)	-	(68,536,165)	1,136,151,204
Revaluation surplus on property, plant and equipment	1,097,573,990	-	(161,545,316)	76,969,374	1,012,998,048
Tax depreciation allowance	382,291,039	-	-	(27,445,375)	354,845,664
Effect of 'Group Taxation'	2,513,658,917	(118,053,762)	(161,545,316)	(19,012,166)	2,503,994,916
<i>Deductible temporary difference in respect of:</i>					
Provision for gratuity	(36,407,193)	-	-	36,407,193	-
Minimum tax carried forward	(301,318,622)	-	-	68,175,496	(233,143,126)
Provisions	(315,317)	-	3,979	(2,568,375)	(2,879,713)
	(338,041,132)	-	3,979	102,014,314	(236,022,839)
Deferred tax liability	2,175,617,785	(118,053,762)	(161,541,337)	83,002,148	2,267,972,077



11 Current portion of non-current liabilities	<i>Note</i>	2019 Rupees	2018 Rupees
<i>Markup bearing finances from conventional banks:</i>			
Long term financing - secured	8	1,666,330,095	1,510,559,070
<i>Islamic mode of financing :</i>			
Long term musharika - secured	9	475,833,333	317,500,000
		2,142,163,428	1,828,059,070
12 Trade and other payables			
Trade creditors		646,495,712	252,893,932
Accrued liabilities		1,134,612,379	1,280,391,723
Advance from customers		-	45,148,951
Contract liabilities		68,220,014	-
Due to associated undertakings	12.1	21,011,764	93,920,098
Bills payable		743,765,178	341,730,921
Tax deducted at source		1,686,185	7,955,729
Infrastructure cess	12.2	394,289,661	309,876,742
Workers' profit participation fund	12.3	118,818,402	76,440,221
Workers' welfare fund	12.4	32,928,560	11,162,227
Sales tax payable	12.5	164,765,348	68,097,919
		3,326,593,203	2,487,618,463
12.1 Due to associated undertakings			
Ahmed Fine Textile Mills Limited		-	67,438,934
Hussain Gineries Limited		12,000,970	12,313,865
Fatima Energy Limited		757,694	6,537,521
Fatima Fertilizer Company Limited		6,180,175	4,706,963
Fazal Rehman Fabrics Limited		-	2,877,479
Fazal Farm (Private) Limited		1,818,639	-
Fazal-ur-Rehman Foundation		213,785	-
Fatima Sugar Mills Limited		-	4,835
Pakarab Fertilizer Limited		40,501	40,501
	12.1.1	21,011,764	93,920,098

12.1.1 These are in the normal course of business for goods and services.

12.2 This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Company has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Company, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these unconsolidated financial statement.



12.3 Workers' profit participation fund	Note	2019 Rupees	2018 Rupees
Balance as at 01 July		76,440,221	24,725,225
Provision for the year	32	118,818,402	76,440,221
Interest on funds utilized by the Company		11,216,147	1,295,534
		206,474,770	102,460,980
Payment made during the year		(87,559,883)	(25,996,459)
Deposited in 'Government Treasury'		(96,485)	(24,300)
Balance as at 30 June		118,818,402	76,440,221

12.4 Workers' Welfare Fund	Note	2019 Rupees	2018 Rupees
Balance as at 01 July		11,162,227	-
Allocation for the year	32	21,766,333	11,162,227
Balance as at 30 June		32,928,560	11,162,227

12.5 As detailed in note 28.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Company is charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Company has challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC has issued an interim stay in favor of the Company, whereby the Company is not required to make the payment of the amount till finalization of the matter. The writ petition is pending adjudication. Accordingly, an amount of Rs. 164.77 (2018: 68.09 million) stands payable as at year end.

13 Short term borrowings - secured

Banking Companies	Nominal interest rate %	2019 Rupees	2018 Rupees
<u>Mark-up based borrowings from conventional banks</u>			
Cash finance	7.23 - 13.80	1,149,579,206	177,084,642
Running finance	7.12 - 14.30	1,152,055,660	597,103,770
Finance against imported merchandise	6.65 - 13.20	1,877,878,369	1,409,699,810
Money market loan	6.36 - 13.18	3,820,877,515	5,126,500,191
<u>Islamic mode of financing</u>			
Running musharika	7.07 - 13.05	985,697,310	432,210,627
Karobar finance/ Import murabaha/ Musawammah	6.49 - 13.33	924,464,747	210,453,678
		9,910,552,807	7,953,052,718



13.1 The Company has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up/ profit arrangements having aggregate sanctioned limits of Rs. 23,088 million (2018: Rs. 20,788 million). These facilities are secured against different securities including pledge of stock- in-trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 5,700 million. Short term borrowing facilities which remained unutilized at year end are Rs. 11,675 million (2018: Rs. 11,304 million). These facilities are expiring on various dates by 31 March 2020.

14 Accrued mark-up

	2019	2018
	Rupees	Rupees
<i>Mark-up based loans from conventional bank:</i>		
Long term financing - <i>secured</i>	182,071,978	140,264,563
Short term borrowings - <i>secured</i>	141,108,748	88,511,265
	323,180,726	228,775,828
<i>Islamic mode of financing:</i>		
Long term musharika - <i>secured</i>	49,705,999	36,105,045
Short term borrowings - <i>secured</i>	34,004,702	10,212,351
	83,710,701	46,317,396
	406,891,427	275,093,224

15 Contingencies and commitments

15.1 Contingencies

15.1.1 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 36.38 million and Rs. 49.78 million against the Company through separate orders, dated 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2015 and 2016 respectively. The Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.

15.1.2 The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Company has agitated the order in appeal before CIR - A, which is pending adjudication.

15.1.3 Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million (other than disclosed below separately), the Company has been extended significant relief by the CIR - A. The issues in respect of which CIR - A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue and such appeals is pending adjudication.



- 15.1.4** The officials of LTU - Lahore, while giving effect to findings of CIR - A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR - A which are pending adjudication.
- 15.1.5** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2012 involving a sum of Rs. 209 million. The first appellate authority has maintained departmental stance, the Company's appeals are lying with Appellate Tribunal Inland Revenue.
- 15.1.6** The Assistant Commissioner Inland Revenue, as a result of sales tax audit for tax year 2014 raised a sales tax demand of Rs. 71.60 million through order dated 31 July 2017. The Company filed an appeal before CIR - A which was disposed off through appellate order dated 06 March 2019 passed under section 45B of the sales Tax Act ('Act') whereby such order was annulled, and the matter was remanded back to department for denovo consideration which is pending adjudication.
- 15.1.7** Proceedings were initiated by officials of LTU - Lahore through orders dated 29 December 2018 under section 122(5A) of the Ordinance regarding admissibility of WPPF provision amounting to Rs. 16.12 million, Rs. 10.71 million and Rs. 12.50 million for tax year 2015, 2016 and 2017 respectively. The Company filed an appeal before CIR - A which is pending for adjudication.
- 15.1.8** Through order dated 28 June 2019 under section 132/162/205 of the Ordinance, the LTU - Lahore officials raised income tax demand of Rs. 10.11 million for tax year 2009 on the grounds that tax under section 148 at import stage was short paid. The Company has filed an appeal before CIR(A) against the said order which is pending for adjudication.
- 15.1.9** The officials of LTU - Lahore initiated proceedings for amendment under section 122(5A) and 161/2015 of the Ordinance through notice dated 16 November 2018 and 14 May 2019 respectively for tax year 2013. The Company submitted its response through its legal council and is unable to determine the outcome of these cases.

Based on the opinion of the Company's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the unconsolidated financial statements.

15.2 Commitments

- 15.2.1** Export documents negotiated with banks under Foreign bill purchase facility are USD 1.48 million.



	<i>Note</i>	2019 Rupees	2018 Rupees
15.2.2 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies.		829,918,200	700,113,115
15.2.3 Commitments against irrevocable letters of credit:			
- capital expenditure		1,156,882,636	1,458,875,182
- raw material and stores and spares		672,052,805	1,010,522,465
- others	15.2.5	-	600,000,000
		1,828,935,441	3,069,397,647
15.2.4 Minimum lease payment in respect of land and ginning unit under operating lease ending on 30 June 2031 and 30 June 2021, respectively, is as under :			
		2019 Rupees	2018 Rupees
- not later than one year		8,510,000	7,850,000
- 1 to 5 years		50,005,329	45,573,026
- later than 5 years		122,019,562	134,961,869
15.2.5 This represents 'Stand by Letters of Credit' ('SBLC') issued by Dubai Islamic Bank Pakistan Limited on behalf of the Company favoring the lenders of Fatima Energy Limited ("FEL"), an associated company, to make payment of the committed amount of equity in case of non payment by FEL with in a period of six months from the date of lending. During the year, the SBLC is withdrawn by the Company on 27 September 2018.			



16 Property, plant and equipment

Operating fixed assets
Capital work-in-progress - at cost

16.1 Operating fixed assets

	Cost/ revalued amount		Rate %	Accumulated depreciation			Net book value	
	Balance as at 01 July 2018	Revaluation surplus		Revaluation surplus	For the year	Disposals	Balance as at 30 June 2019	Balance as at 30 June 2019
	Rupees			Rupees			Rupees	
<i>Freehold land</i>								
- cost	456,684,466	-		-	-	-	-	456,684,466
- revaluation surplus	3,398,663,284	-		-	-	-	-	3,398,663,284
	3,855,347,750	299,491		-	-	-	-	3,855,647,241
<i>Factory building on free hold land</i>								
- cost	1,595,549,410	-		63,093,324	-	-	547,921,661	1,321,050,358
- revaluation surplus	2,965,805,291	-	5	87,093,905	-	-	1,509,121,107	1,656,684,184
	4,561,354,701	273,422,609		150,387,229	-	-	1,857,042,768	2,977,734,542
<i>Non-factory building on free hold land</i>								
- cost	652,038,866	-		24,201,152	-	-	201,386,719	463,433,267
- revaluation surplus	2,733,006,481	-	5	88,077,651	-	-	1,059,531,108	1,673,475,373
	3,385,045,347	12,781,120		112,278,803	-	-	1,360,917,827	2,136,908,640
<i>Non-factory building on lease hold land</i>								
- cost	81,960,081	-		11,411,901	-	-	18,583,408	66,700,746
- revaluation surplus	-	3,324,073	15	-	-	-	18,583,408	66,700,746
	81,960,081	3,324,073		11,411,901	-	-	18,583,408	66,700,746
<i>Plant and machinery</i>								
- cost	12,558,707,336	-		482,680,716	(62,430,476)	-	4,370,022,782	10,213,061,176
- revaluation surplus	5,107,606,695	-	5	146,836,859	(14,880,600)	-	2,291,152,513	2,779,226,839
	17,666,314,031	2,113,013,151		629,517,575	(77,311,076)	-	6,661,175,295	12,992,288,015
<i>Electric fittings and installations</i>								
- cost	588,866,675	-		21,444,033	(407,494)	-	211,760,650	481,807,148
- revaluation surplus	1,139,280,062	-	5	438,420,516	-	-	473,463,240	665,816,822
	1,728,146,737	105,950,607		56,866,757	(407,494)	-	685,223,890	1,147,623,970
<i>Sur gas installations</i>								
- cost	14,020,862	-		330,946	-	-	7,732,891	6,287,971
- revaluation surplus	13,612,858	-	5	7,256,431	-	-	7,555,252	6,057,606
	27,633,720	-		14,638,376	-	-	15,288,143	12,345,577
<i>Tools, laboratory equipment and arms</i>								
- cost	87,742,390	-		3,412,243	-	-	25,567,923	62,663,136
- revaluation surplus	277,982,761	-	5	64,515,134	-	-	155,620,029	122,362,732
	365,725,151	488,669		9,847,377	-	-	181,187,952	185,025,868
<i>Fire extinguishing equipment and scales</i>								
- cost	11,153,444	-		240,201	-	-	6,605,445	4,685,499
- revaluation surplus	44,371,068	-	5	1,112,874	-	-	23,211,710	21,159,358
	55,524,512	137,500		1,353,075	-	-	29,817,155	25,844,857
<i>Office equipments</i>								
- cost	47,433,984	-	10	2,711,955	(405,735)	-	23,543,563	27,219,015
- revaluation surplus	26,451,304	-	10	1,445,763	-	-	13,939,609	14,039,701
<i>Furniture and fittings</i>								
- cost	192,347,996	-	20	15,456,800	(10,286,675)	-	127,513,160	76,725,405
- revaluation surplus	31,993,285,314	-		991,566,002	(88,411,080)	-	10,874,232,630	23,518,103,577



	Cost/revalued amount				Accumulated depreciation			Net book value		
	Balance as at 01 July 2017	Revaluation surplus	Additions	Disposals	Balance as at 30 June 2018	Rate %	Balance as at 01 July 2017	Revaluation surplus	Disposals	Balance as at 30 June 2018
	- Rupees				- Rupees			- Rupees		
Freehold land										
- cost	454,216,716	-	2,467,750	-	456,684,466		-	-	-	456,684,466
- revaluation surplus	1,536,028,392	1,862,634,892	-	-	3,398,663,284		-	-	-	3,398,663,284
	1,990,245,108	1,862,634,892	2,467,750	-	3,855,347,750		-	-	-	3,855,347,750
Factory building on free hold land										
- cost	1,316,771,419	-	278,777,991	-	1,595,549,410	5	435,204,539	49,523,796	-	484,728,337
- revaluation surplus	2,379,912,150	585,893,141	-	-	2,965,805,291		920,232,711	79,037,916	-	1,221,927,202
	3,696,683,569	585,893,141	278,777,991	-	4,561,354,701		1,355,437,250	128,561,714	-	1,706,655,539
Non-factory building on free hold land										
- cost	555,927,839	-	96,111,027	-	652,038,866	5	155,726,362	21,440,005	-	177,166,367
- revaluation surplus	2,667,381,234	65,625,247	-	-	2,733,006,481		858,124,262	91,187,576	-	971,453,457
	3,223,309,073	65,625,247	96,111,027	-	3,385,045,347		1,013,850,824	112,627,581	-	1,148,620,024
Non-factory building on lease hold land										
- cost	-	-	81,960,081	-	81,960,081	15	-	7,171,507	-	74,788,574
- revaluation surplus	-	-	81,960,081	-	81,960,081		-	7,171,507	-	74,788,574
Plant and machinery										
- cost	11,518,372,575	-	1,130,441,136	-	12,648,813,711	5	3,599,600,472	421,831,433	(71,659,363)	3,949,772,542
- revaluation surplus	3,664,841,824	1,476,709,349	-	(33,944,478)	5,107,606,695		1,544,522,220	121,948,523	(14,649,143)	2,159,196,254
	15,183,214,399	1,476,709,349	1,130,441,136	(124,030,853)	17,666,314,031		5,144,122,692	543,779,956	(86,308,506)	6,108,968,796
Electric fittings and installations										
- cost	585,077,095	-	6,475,544	(685,964)	588,866,675	5	170,455,623	20,665,009	(396,521)	190,724,111
- revaluation surplus	507,250,335	632,029,727	-	-	1,139,280,062		191,915,511	22,363,145	-	438,420,516
	1,090,327,430	632,029,727	6,475,544	(685,964)	1,728,146,737		362,371,134	43,228,154	(396,521)	629,144,627
Sirgus installations										
- cost	14,020,862	-	-	-	14,020,862	5	7,053,381	348,364	-	7,401,945
- revaluation surplus	8,478,502	5,134,356	-	-	13,612,858		4,309,304	249,404	-	7,236,431
	22,499,364	5,134,356	-	-	27,633,720		11,362,685	597,768	-	14,638,376
Tools, laboratory equipment and arms										
- cost	52,791,330	-	45,522,491	(10,571,431)	87,742,390	5	27,914,644	2,221,303	(7,980,267)	22,155,680
- revaluation surplus	170,989,158	110,998,246	-	(4,004,643)	277,982,761		94,014,252	4,832,363	(1,631,522)	149,184,895
	223,780,488	110,998,246	45,522,491	(14,576,074)	365,725,151		121,928,896	51,969,802	(9,611,789)	171,340,575
Fire extinguishing equipment and scales										
- cost	11,153,444	-	-	-	11,153,444	5	6,113,234	232,010	-	6,365,244
- revaluation surplus	34,596,040	9,775,028	-	-	44,371,068		16,168,484	4,928,702	-	22,098,836
	45,749,484	9,775,028	-	-	55,524,512		22,281,718	4,928,702	-	28,464,080
Office equipments										
- cost	42,883,429	-	6,416,627	(1,866,072)	47,433,984	10	19,553,400	2,491,904	(807,991)	21,237,343
- revaluation surplus	25,066,139	1,383,165	-	-	26,451,304	10	10,985,321	1,308,185	-	12,493,706
Vehicles	181,592,256	-	14,509,460	(3,733,720)	192,347,996	20	110,290,667	14,909,352	(2,856,884)	122,343,135
	25,725,330,739	4,748,799,986	1,664,067,272	(144,932,683)	31,993,285,314		8,172,215,017	1,035,660,935	863,183,447	9,971,077,708
									(99,981,691)	22,022,207,606



16.1.1 Depreciation for the year has been allocated as under:

	<i>Note</i>	2019 Rupees	2018 Rupees
Cost of sales	29	960,534,100	839,487,231
Administrative expense	31	31,031,902	23,696,216
		991,566,002	863,183,447

16.1.2 Additions in operating fixed assets represents transfer from capital work-in-progress.

16.1.3 All assets of the Company as at 30 June 2019 are located in Pakistan.

16.1.4 The latest valuation of of Company's assets was carried out on 28 February 2018. The Category wise gross revalued amounts along with forced sale values, as at the that date, are given below:

	Gross revalued amount	Forced sales value
	----- Rupees -----	
Freehold land	3,853,000,000	3,082,400,000
Factory building on free hold land	2,703,457,509	2,162,766,000
Non-factory building on free hold land	2,179,642,491	1,743,714,000
Plant and machinery	11,414,750,000	9,131,679,000
Electric fittings and installations	1,116,700,000	893,360,000
Sui gas installations	13,221,897	10,578,000
Tools, laboratory equipment and arms	197,845,769	158,277,000
Fire fighting and weighing scales	27,532,334	22,026,000
	21,506,150,000	17,204,800,000

16.1.5 Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

Particulars	Location	Total Area
Free hold land (Manufacturing Unit)	Jhang Road, Muzaffargarh	588 kanal and 11.5 marlas
Free hold land (Residential Colony)	Jhang Road, Muzaffargarh	107 kanal and 15 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	588 kanal and 9.6 marlas
Free hold land (Residential Colony)	Qadirpur Rawan bypass Khanewal Road, Multan	92 kanal and 8 marlas
Free hold land (under licensed agreement to Fazal Weaving Mills Limited)	Qadirpur Rawan bypass Khanewal Road, Multan	148 kanal
Free hold land (Administrative Storage Unit)	Sarwar Road, Multan	15 marlas
Free hold land	Bahawalpur Road, Multan	7 kanal and 9 marlas

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under operating lease, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.



16.2 The following assets were disposed of during the year

	Cost/revalued amount	Accumulated depreciation	Net book value	Sale proceeds/ Insurance claim	Gain/ (loss)	Mode of disposal	Particulars of purchaser	Relationship
----- Rupees -----								
Plant and machinery								
Ring Frames EJM-128	1,458,660	910,597	548,063	277,500	(270,563)	Negotiation	Mr. Khalid Pervaiz	Third party
Ring Frames EJM-128	1,458,660	910,596	548,064	277,500	(270,564)	Negotiation	Mr. Khalid Pervaiz	Third party
Ring Frames	19,003,152	10,497,731	8,505,421	2,020,000	(6,485,421)	Negotiation	Mr. Mansoor Hussain	Third party
Ring Frames	12,668,768	6,998,487	5,670,281	1,450,000	(4,220,281)	Negotiation	Mr. Ahsan	Third party
Spinning Unit Toyoda Ry-4	27,801,560	21,016,675	6,784,885	1,636,000	(5,148,885)	Negotiation	Mr. Ahsan	Third party
Spinning Unit Toyoda Ry-4	9,267,187	7,005,559	2,261,628	512,000	(1,749,628)	Negotiation	Mr. Khurram Hanif	Third party
Spinning Unit Toyoda Ry-4	9,267,186	7,015,183	2,252,003	494,000	(1,758,003)	Negotiation	Mr. Annas Bilal	Third party
Spinning Unit Toyoda Ry-4	9,267,186	7,015,183	2,252,003	494,000	(1,758,003)	Negotiation	Mr. Annas Bilal	Third party
Autocone Murata 7 II	852,000	135,972	716,028	380,000	(336,028)	Negotiation	Mr. Khalid Pervaiz	Third party
Savio Automatic Cone Winder	26,104,357	9,952,010	16,152,347	3,750,000	(12,402,347)	Negotiation	Ahmad Fine Textile Mills	Associated company
Fly Frames Fa 415-A	4,089,707	2,312,866	1,776,841	375,000	(1,401,841)	Negotiation	Ahmad Fine Textile Mills	Associated company
Diesel Generator Set (Catterpillar)	4,625,449	3,540,217	1,085,232	1,250,000	164,768	Negotiation	Fazal Rehman Fabrics Limited	Associated company
	125,863,872	77,311,076	48,552,796	12,916,000	(35,636,796)			
Vehicles								
Honda Civic MN-13-5999	2,505,788	1,829,041	676,747	750,000	73,253	Negotiation	Mr. Syed Burhan Gilani	Third party
Honda Civic MN-13-1265	2,208,675	1,686,361	522,314	600,000	77,686	Negotiation	Mr. Faiz Alta S/O Alta Muhammad	Third party
Various assets having net book value upto Rs. 500,000 each	8,076,782	6,771,373	1,305,409	1,808,000	502,592			
	12,791,245	10,286,775	2,504,470	3,158,000	653,531			
Office equipments								
Various assets having net book value upto Rs. 500,000 each	859,550	405,735	453,815	627,280	173,466			
Electric Fitting & Installation								
Various assets having net book value upto Rs. 500,000 each	1,249,484	407,494	841,990	1,164,850	322,859			
	140,764,151	88,411,080	52,353,071	17,866,130	(34,486,940)			
2019								
	144,932,683	99,981,691	44,950,992	34,561,949	(10,389,043)			
2018								



16.3	Capital work-in-progress - cost	Note	2019 Rupees	2018 Rupees
	Balance as at 01 July		309,659,613	410,894,647
	Additions during the year		2,712,083,509	1,562,832,238
	Transfers during the year	16.1.2	<u>(2,539,815,044)</u>	<u>(1,664,067,272)</u>
	Balance as at 30 June	16.3.1	<u><u>481,928,078</u></u>	<u><u>309,659,613</u></u>
16.3.1	Breakup of capital work-in-progress:			
	<i>Factory building on free hold land</i>			
	Material and expenses		<u>106,641,634</u>	77,655,965
	Advance payments		<u>34,211,429</u>	40,045,175
			<u>140,853,063</u>	117,701,140
	Non-factory building on free hold land - material and expenses		40,429,390	9,461,290
	<i>Plant and machinery</i>			
	Cost and expenses		<u>3,335,277</u>	15,162,668
	Advance payments		<u>14,066,590</u>	12,137,783
	Letters of credit		<u>257,521,850</u>	142,155,361
			<u>274,923,717</u>	169,455,812
	Electric fittings and Installations - Advance payments		18,637,945	7,287,730
	Tools, laboratory equipment and arms - Cost and expenses		385,600	-
	Office equipment - Advance payments		1,458,975	-
	Vehicles - Advance payments		5,239,388	4,017,285
	Intangible - Cost and expenses		-	1,736,356
			<u><u>481,928,078</u></u>	<u><u>309,659,613</u></u>
17	Long term investments			
	<u>Investment in related parties :</u>			
	<i>At fair value through OCI</i>			
	Fatima Fertilizer Company Limited - quoted	17.1	<u>1,880,371,825</u>	2,041,006,604
	Multan Real Estate (Private) Limited	17.2	<u>30,381,647</u>	21,644,000
			<u>1,910,753,472</u>	2,062,650,604
	<i>Subsidiary company - at cost</i>			
	Fazal Weaving Mills Limited	17.3	250,000,000	250,000,000
	<i>Associated companies - at cost</i>			
	Fatima Energy Limited - unquoted		<u>1,374,213,490</u>	1,374,213,490
	Fatima Transmission Company Limited - unquoted		<u>55,200,000</u>	55,200,000
	Fatima Electric Company Limited - unquoted		<u>70,000</u>	70,000
		17.4	<u>1,429,483,490</u>	1,429,483,490
			<u><u>3,590,236,962</u></u>	<u><u>3,742,134,094</u></u>



17.1 At fair value through OCI	Shares		Market value		Market value per share		Percentage of holding	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Number-----		Rupees-----		Rupees-----			
Fatima Fertilizer Company Limited - quoted	62,994,031	62,994,031	1,880,371,825	2,041,006,604	29.85	32.40	3.00%	3.00%
	17.1.1							

Note

17.1.1 The investment in Fatima Fertilizer Company Limited (FFCL) was previously classified as available for sale under IAS 39 which is now classified as fair value through OCI under IFRS9. FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Company does not have significant influence on FFCL.

17.2 This represents ordinary shares of Mulian Real Estate (Private) Limited (MREPL), which is a dormant entity. Due to the application of IFRS9 during the year the assets of MREPL were revalued as at 30 June 2019. Since the impact of fair value adjustment was not material, the same has been accounted for in the current year.

17.3 This represent investment in Fazal Weaving Mills Limited (FWML), set up to carry business of textile spinning. The Company, being sponsor of FWML, holds 100% of equity share of FWML, which commenced its commercial operations on 01 April 2014.

17.4 Associated companies - at cost	Shares		Carrying value		Percentage of holding	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Number-----		Rupees-----			
Fatima Energy Limited - unquoted	137,421,349	137,421,349	1,374,213,490	1,374,213,490	24.11%	24.11%
Fatima Transmission Company Limited - unquoted	5,520,000	5,520,000	55,200,000	55,200,000	24.00%	24.00%
Fatima Electric Company Limited - unquoted	7,000	7,000	70,000	70,000	20.00%	20.00%
	142,948,349	142,948,349	1,429,483,490	1,429,483,490		



18 Long term loan and advances	Note	2019 Rupees	2018 Rupees
<u>Long term loan to subsidiary</u>			
Fazal Weaving Mills Limited	18.1	530,000,000	530,000,000
<u>Long term advance to associates</u>			
Pak Arab Energy Limited		25,904,160	25,904,160
Fatima Transmission Company Limited		38,811,585	23,320,790
Fatima Energy Limited		1,840,408,522	1,057,601,401
	18.2	1,905,124,267	1,106,826,351
		2,435,124,267	1,636,826,351
18.1 It represents loan disbursed to finance capital expenditure as well as to meet working capital requirements thereof. It carries mark-up at weighted average borrowing cost of the Company. During the year mark up charged at the rates ranging from 8.03% to 13.79% per annum (2018: 7.26% to 7.86% per annum) . It is subordinated to the extent of Rs. 530 million to all the financing facilities obtained by FWML from MCB Bank Limited, Allied Bank Limited, Faysal Bank Limited, Soneri Bank Limited, Askari Bank Limited, United Bank Limited, Meezan Bank Limited, Bank Al-Falah Limited, Habib Bank Limited and The Bank of Punjab.			
18.2 These represents loans disbursed to meet the working capital requirements of the associated companies. These loans carries markup at the rate of average borrowing cost of the Company. Effective markup rate charged by the Company during the year ranges from 8.53% to 14.29% per annum (2018: 7.76% to 8.36% per annum). As per the agreements, these loans will be repaid in 8 to 10 years starting from financial year 2021.			
18.3 Maximum outstanding balance with reference to month end balances:			
		2019	2018
		Month	Month
		Rupees	Rupees
Fazal Weaving Mills Limited	Jul-18	530,000,000	530,000,000
Pak Arab Energy Limited	Jul-18	25,904,160	25,904,160
Fatima Transmission Company Limited	Jan-19	38,811,585	23,320,790
Fatima Energy Limited	Jun-19	1,840,408,522	1,057,601,401
		2019	2018
		Rupees	Rupees
19 Stores, spares and loose tools			
Stores [In-transit: Rs. Nil (2018: Rs. 39.71 million)]		145,842,592	136,391,473
Spares[In-transit: Rs. 107.20 (2018: Nil)]		520,717,034	364,610,106
Loose tools		557,825	453,535
		667,117,451	501,455,114
Provision for slow moving items		(1,770,316)	(1,770,316)
		665,347,135	499,684,798
20 Stock-in-trade			
Raw material [In-transist: Rs. 959.23 million (2018: Rs 1,140.06 million)]		8,868,937,561	6,051,925,399
Work-in-process		358,479,339	315,152,028
Finished goods			
Yarn		1,172,513,220	1,437,228,607
Fabric		542,110,000	320,144,524
		1,714,623,220	1,757,373,131
		10,942,040,120	8,124,450,558



	<i>Note</i>	2019 Rupees	2018 Rupees
21 Trade debts			
<i>Export debtors - secured against letters of credit:</i>			
Considered good		2,266,901,086	3,338,335,649
<i>Local debtors - unsecured</i>			
Related Parties - considered good	<i>21.1 & 21.3</i>	271,224,138	86,935,471
Others - considered good		2,894,262,434	1,417,107,766
Others - considered doubtful		27,367,951	8,856,467
		3,192,854,523	1,512,899,704
Allowance for impairment of trade debts	<i>21.4</i>	(27,367,951)	(8,856,467)
		5,432,387,658	4,842,378,886

21.1 Trade debts due from following related parties on account of trading activities.

	2019 Rupees	2018 Rupees
Fazal Weaving Mills Limited	84,890,583	79,377,591
Fazal Rehman Fabrics Limited	163,631,802	-
Reliance Weaving Mills Limited	814,194	3,143,326
Ahmad Fine Textile Mills Limited	17,473,005	-
Fatimafert Limited	4,414,554	4,414,554
	271,224,138	86,935,471

21.2 Maximum outstanding balance with reference to month end balances:

	2019 Month	2018 Month	2019 Rupees	2018 Rupees
Fazal Weaving Mills Limited	Feb-19	Dec-17	1,222,471,202	163,790,000
Fazal Rehman Fabrics Limited	Aug-18	Nov-17	359,350,000	346,750,000
Reliance Weaving Mills Limited	Nov-18	Mar-18	12,490,000	13,120,000
Ahmad Fine Textile Mills Limited	Jun-19	-	197,940,000	-
Fatimafert Limited	Jul-18	Jun-18	4,410,000	4,410,000

21.3 The ageing analysis of trade debts from related parties is as follows:

	2019	2018
Not yet due	250,008,532	81,425,942
1 to 30 days	16,801,052	4,414,554
30 to 150 days	-	-
150 days and above	4,414,554	1,094,975
	271,224,138	86,935,471



	<i>Note</i>	2019 Rupees	2018 Rupees
21.4	The movement in allowance for impairment of trade debts is as follows:		
	Balance as at 01 July	8,856,467	-
	Loss allowance for the year	18,511,484	8,856,467
	Balance as at 30 June	<u>27,367,951</u>	<u>8,856,467</u>
22	Loans and advances		
	Subsidiary company - Considered good		
	Advance to Fazal Weaving Mills Limited - unsecured	22.1 484,090,787	-
	<u>Others - Considered good</u>		
	Advances to suppliers and contractors - unsecured	22.2 76,230,248	123,845,128
	Advances to employees against salaries - secured	1,235,964	12,436,173
	LC deposits for imports	6,337,316	5,855,067
		<u>567,894,315</u>	<u>142,136,368</u>
22.1	This represents interest free advance given to Fazal Weaving Mills Limited for meeting working capital requirement.		
22.2	These are interest free in the normal course of business.		
23	Deposits, prepayments and other receivable	2019 Rupees	2018 Rupees
	Deposits against LC margin	9,812,086	2,827,920
	Prepayments	56,456,765	24,498,779
	Import claim receivable	30,503,739	10,262,392
	Duty drawback receivable	23.1 253,514,577	499,732,073
	Other receivable	1,962,319	1,086,232
		<u>352,249,486</u>	<u>538,407,396</u>
23.1	This represent amount receivable against duty draw back as detailed under note 29.1.3.		
24	Mark-up accrued	2019 Rupees	2018 Rupees
	Mark-up accrued on:		
	Subsidiary Company - FWML	31,772,990	58,296,952
	Associated Companies	261,329,890	81,339,057
		24.1 <u>293,102,880</u>	<u>139,636,009</u>
24.1	Mark-up is accrued on the basis as described in note 18 of these unconsolidated financial statements.		
25	Short term investment	2019 Rupees	2018 Rupees
	Investment at fair value through profit or loss		
	<i>Fatima Fertilizer Company Limited - quoted</i>		
	<i>6,120,000 (2018: 6,120,000) fully paid</i>		
	<i>ordinary shares of Rs. 10 each</i>		
	<i>Equity held 0.29% (2018: 0.29%)</i>	<u>182,682,000</u>	<u>198,288,000</u>



	<i>Note</i>	2019 Rupees	2018 Rupees
25.1	Movement in short term investment at fair value through profit or loss is as follows :		
Market value as at 01 July		198,288,000	219,658,800
<i>Investments disposed during the year:</i>			
- Fair value realized		-	(12,657,400)
- Loss on disposal of investment		-	(818,600)
		-	(13,476,000)
Unrealized fair value loss on re-measurement of investments		(15,606,000)	(7,894,800)
Market value as at 30 June		182,682,000	198,288,000
25.2	FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through profit or loss. The Company does not have significant influence on FFCL.		
26	Tax refunds due from the Government - net		
Sales tax		746,308,825	490,517,862
Income tax - net		267,551,481	402,017,136
Excise duty		11,881,580	11,881,580
		1,025,741,886	904,416,578
27	Cash and bank balances		
Cash in hand		17,947,352	10,432,101
Cash at banks			
- Current accounts		142,616,639	57,072,810
- Saving accounts	27.1	2,509	452,668
		142,619,148	57,525,478
		160,566,500	67,957,579
27.1	Rate of interest and mark up on saving accounts ranges from 4.44% to 10.06% (2018: 0.49% to 4.44%) per annum.		
28	Sales - net		
<i>Local:</i>			
Yarn		22,032,770,676	14,428,393,574
Fabric		5,493,361,895	3,324,509,789
Waste		429,083,648	339,303,033
Comber noil		193,783,503	258,181,585
		28,148,999,722	18,350,387,981
Cotton and other products		13,548,878	19,709,877
		28,162,548,600	18,370,097,858
Less:			
Sales return		57,723,758	55,046,741
Sales tax	28.1	96,648,941	68,097,919
		154,372,699	123,144,660
Net local sales		28,008,175,901	18,246,953,198



	Note	2019 Rupees	2018 Rupees
Export:			
Yarn	28.2	6,786,300,977	10,473,092,861
Fabric		1,329,769,177	2,387,903,027
Comber noil		216,850,480	180,419,832
		8,332,920,634	13,041,415,720
		36,341,096,535	31,288,368,918

28.1 This represent further tax at the rate of 1% (2018: 1%) on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017.

28.2 It includes indirect export of Rs. 1,447.53 million (2018: Rs. 743.87 million) to a related party under Duty and Tax Remission for Exports ("DTRE") under S.R.O 185(I)/ 2001 dated 21 March 2001.

	Note	2019 Rupees	2018 Rupees
29 Cost of sales			
Raw material consumed	29.1	21,692,633,687	17,070,748,350
Packing material consumed		379,244,282	347,382,137
Salaries, wages and benefits	29.2	1,938,213,258	1,697,998,061
Freight outward charges	29.3	193,644,606	257,232,236
Travelling and conveyance		18,023,052	12,159,265
Power and fuel		2,809,666,937	2,959,168,271
Stores and spares consumed		621,643,845	643,181,823
Repair and maintenance		42,412,266	39,158,894
Insurance		67,390,202	53,758,830
Depreciation on property, plant and equipment	16.1.1	960,534,100	839,487,231
Others		3,112,284	1,506,130
		28,726,518,519	23,921,781,228
Work-in-process :			
Balance at 01 July		315,152,028	276,835,823
Balance at 30 June		(358,479,339)	(315,152,028)
		(43,327,311)	(38,316,205)
Cost of goods manufactured		28,683,191,208	23,883,465,023
Finished goods :			
Balance at 01 July		1,757,373,131	1,809,881,307
Finished goods purchased		3,235,032,309	4,589,768,243
Balance at 30 June		(1,714,623,220)	(1,757,373,131)
		3,277,782,220	4,642,276,419
Cost of goods sold		31,960,973,428	28,525,741,442
Cost of raw material sold		37,643,829	27,180,663
		31,998,617,257	28,552,922,105



	<i>Note</i>	2019 Rupees	2018 Rupees
29.1 Raw material consumed			
Raw material as at 01 July		6,051,925,399	4,333,748,614
Purchases and expenses		23,830,187,852	18,934,908,356
Transfer from ginning unit	<i>29.1.1</i>	679,457,997	354,293,400
		24,509,645,849	19,289,201,756
		30,561,571,248	23,622,950,370
Raw material as at 30 June		(7,909,705,168)	(4,911,869,475)
Stock-in-transit		(959,232,393)	(1,140,055,924)
		(8,868,937,561)	(6,051,925,399)
		21,692,633,687	17,571,024,971
Duty drawback on exports	<i>29.1.3</i>	-	(500,276,621)
		21,692,633,687	17,070,748,350
		2019	2018
		Rupees	Rupees
29.1.1 Production cost of ginning unit - net			
Raw material purchased and consumed		832,263,565	446,865,176
Power and fuel		5,811,536	-
Lease charges		1,250,000	1,250,000
Salaries, wages and benefits		7,384,714	6,865,168
Travelling and conveyance		1,563,547	572,659
Repair and maintenance		1,430,022	1,790,178
Store consumption		1,669,441	504,716
Utilities		80,993	143,720
Entertainment		1,026,814	237,520
Rent, rate and taxes		213,650	40,070
Printing and stationery		44,200	38,130
Communication		25,910	78,020
Insurance		624,055	97,943
Others		249,732	173,570
		853,638,179	458,656,870
Sale of cotton seed		(174,180,182)	(104,363,470)
Transferred to raw material consumed		679,457,997	354,293,400
29.1.2	The Company has acquired a cotton ginning factory from Hussain Gineries Limited 'an associated undertaking' on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Company as raw material cost.		
29.1.3	This represents Duty Drawback on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters which was applicable till 30 June 2018.		



29.2 These include Rs. 110.04 million (2018: Rs. 96.11 million) in respect of staff retirement benefits.

29.3 This includes freight on export sales amounting to Rs. 151.45 million (2018: Rs. 225.82 million) and freight on local sales amounting to Rs. 42.19 million (2018: Rs. 31.41 million).

30 Selling and distribution expenses	<i>Note</i>	2019 Rupees	2018 Rupees
<i>Export sales:</i>			
Export development surcharge		19,606,926	29,001,233
Insurance		512,336	17,023,839
Commission		101,564,883	162,914,406
<i>Local sales:</i>			
Insurance		3,501,349	2,210,666
Salaries and benefits - <i>marketing staff</i>	<i>30.1</i>	22,463,401	14,654,089
Commission		75,606,110	56,142,257
		<u>223,255,005</u>	<u>281,946,490</u>

30.1 These include Rs. 2.09 million (2018: Rs. 0.86 million) in respect of staff retirement benefits.

31 Administrative expenses	<i>Note</i>	2019 Rupees	2018 Rupees
Salaries and benefits	<i>31.1</i>	129,508,325	128,752,556
Traveling and conveyance	<i>31.2</i>	10,403,570	14,904,751
Vehicle running and maintenance		35,587,403	22,193,099
Rent, rates, taxes and fees		17,276,982	25,734,688
Electricity, gas and water		4,863,243	4,607,914
Entertainment/ guest house expenses		18,073,464	16,615,643
Communication		12,360,296	12,301,266
Printing and stationery		7,556,466	6,534,987
Insurance		5,501,253	4,894,513
Repair and maintenance		18,260,925	10,412,547
Subscription/ advertisement		2,538,506	3,575,729
Auditors' remuneration	<i>31.3</i>	1,779,855	1,882,000
Legal and professional charges		7,734,522	1,707,975
Depreciation on property, plant and equipment	<i>16.1.1</i>	31,031,902	23,696,216
Others		15,599,897	4,578,365
		<u>318,076,609</u>	<u>282,392,249</u>

31.1 These include Rs. 12.42 million (2018: Rs. 13.66 million) in respect of staff retirement benefits."

31.2 These include Directors' traveling expense of Rs. 0.27 million (2018: Rs. 4.6 million).



31.3 Auditors' remuneration	<i>Note</i>	2019 Rupees	2018 Rupees
Fee for statutory audit		1,100,000	1,100,000
Six month review		500,000	550,000
Other certifications		-	100,000
Out of pocket expenses		179,855	132,000
		1,779,855	1,882,000

32 Other expenses

Workers' Profit participation fund	12.3	118,818,402	76,440,221
Workers welfare fund	12.4	21,766,333	11,162,227
Unrealized loss on re-measurement of short term investments at fair value through profit or loss	25.1	15,606,000	7,894,800
Loss on sale of short term investment	25.1	-	818,600
Loss on disposal of property, plant and equipment	16.2	34,486,940	10,389,043
Donations	32.1	12,090,266	12,649,334
Allowance for impairment of trade debts	21.4	18,511,484	8,856,467
Sales tax receivable written off		7,742,484	-
		229,021,909	128,210,692

32.1 Donations for the year have been given to:

Fazal Rehman Foundation	32.1.1	3,290,070	3,784,412
Friends of Cardiology Foundation Multan (Previously: Cardiology Multan Foundation)	32.1.2	2,599,571	2,000,000
Taary Zameen Par	32.1.2	100,000	-
Others	32.1.3	6,100,625	6,864,922
		12,090,266	12,649,334

32.1.1 Mr. Rehman Naseem Ahmad (Cheif Executive Officer) and Mr. Naseem Ahmad (Chairman) are amongst the trustees of the Fazal Rehman Foundation.

32.1.2 Mr. Rehman Naseem Ahmad (Cheif Executive Officer) is amongst the trustees of the Friends of Cardiology Foundation Multan and Mr. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

32.1.3 Others' includes donations paid to various insitutions. The aggregate amount paid to a single institution is less than 10% of the total donations made during the year.

33 Other income		2019 Rupees	2018 Rupees
<u>Income from financial assets</u>			
Dividend income	33.1	120,949,554	156,406,569
Mark-up on loan to subsidiary	18.1	56,558,694	39,193,864
Mark-up on advance to associated undertaking	18.2	179,990,832	54,201,241
Exchange gain - net	33.2	318,161,859	275,959,483
		675,660,939	525,761,157



	<i>Note</i>	2019 Rupees	2018 Rupees
<u>From non-financial assets</u>			
Scrap sales		10,621,936	16,492,965
		<u>686,282,875</u>	<u>542,254,122</u>
33.1	This represent annual dividend for the year ended 31 December 2018 declared and received from Fatima Fertilizer Limited 'an associated undertaking'.		
33.2	This includes net exchange gain on export sales of Rs. 556.80 million (2018: Rs. 392.25 million) and net exchange loss on imports of Rs. 238.64 million (2018: Rs. 116.29 million). The exchange gain on exports includes unrealized gain of Rs. 239.58 million (2018: Rs. 156.42 million) and exchange loss on imports include unrealized loss of Rs. 42.36 million (2018: Rs. 10.22 million).		
34 Finance cost		2019 Rupees	2018 Rupees
<i>Mark-up based loans from conventional banks:</i>			
- Long term financing - <i>secured</i>		657,508,069	514,491,718
- Short term borrowings - <i>secured</i>		816,106,720	425,812,609
		1,473,614,789	940,304,327
<i>Islamic mode of financing:</i>			
- Musharika - <i>secured</i>		203,428,202	71,917,438
- Short term borrowings - <i>secured</i>		124,957,279	44,942,406
		328,385,481	116,859,844
Bank charges		81,017,143	85,489,827
Interest on workers' profit participation fund	12.3	11,216,147	1,295,534
		<u>1,894,233,560</u>	<u>1,143,949,532</u>
35 Taxation			
<i>Current</i>			
- <i>for the year</i>		351,849,972	303,961,975
- <i>prior year</i>		(37,466,665)	2,274,116
		314,383,307	306,236,091
<i>Deferred</i>			
- <i>group taxation</i>		-	(27,445,375)
- <i>for the year</i>		534,289,002	(51,093,814)
		534,289,002	(78,539,189)
		<u>848,672,309</u>	<u>227,696,902</u>
35.1	The tax provision is charged by considering the provision of section 113, 65B, 154(5) and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Company's tax liability in respect of income arising from such source.		



35.2 The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

	<u>2019</u>	<u>2018</u>
Applicable tax rate	29%	30%
<i>Tax effect of amounts that are:</i>		
- Effect of change in tax rate and proration rate	10%	-11%
- Effect of prior year adjustment	-2%	0%
- Effect of minimum tax and final tax regime	-3%	-3%
- Effects of temporary/ deductible differences	5%	8%
- Effect of group taxation	0%	-2%
- Effect of tax credits under section 65B	-5%	-8%
- Effect of super tax under section 4B	2%	2%
Average effective tax rate charged to profit and loss account	<u>36%</u>	<u>16%</u>

35.3 As explained in note 46 to the financial statements, the Board of Directors in their meeting held on 26 September 2019 has recommended final cash dividend of Rs. 10.50 per ordinary share for the year ended 30 June 2019 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2019.

36 Earnings per share - basic and diluted

36.1 Basic earnings per share

		<u>2019</u>	<u>2018</u>
Profit after taxation	<i>Rupees</i>	<u>1,515,502,761</u>	<u>1,213,505,070</u>
Weighted average number of ordinary shares	<i>No. of shares</i>	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per share	<i>Rupees</i>	<u>50.52</u>	<u>40.45</u>

36.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Company has no such commitments.



37 Fair value measurement of financial instruments

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.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value					
	Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
As at 30 June 2019									
Financial assets - measured at fair value									
Short term investment	-	182,682,000	-	-	182,682,000	182,682,000	-	-	182,682,000
Long term investment	-	-	1,910,753,472	-	1,910,753,472	1,880,371,825	-	30,381,647	1,910,753,472
Financial assets - not measured at fair value									
Trade debts	5,432,387,658	-	-	-	5,432,387,658	-	-	-	-
Bank balances	142,619,148	-	-	-	142,619,148	-	-	-	-
Long term deposits	24,071,493	-	-	-	24,071,493	-	-	-	-
Other receivable	30,503,739	-	-	-	30,503,739	-	-	-	-
Loan and advances	484,090,787	-	-	-	484,090,787	-	-	-	-
Mark-up accrued	293,102,880	-	-	-	293,102,880	-	-	-	-
Long term advances to associates	2,435,124,267	-	-	-	2,435,124,267	-	-	-	-
	8,841,899,972	182,682,000	1,910,753,472	-	10,935,335,444	2,063,053,825	-	30,381,647	2,093,435,472
Financial liabilities - not measured at fair value									
Long term financing - secured	-	-	-	7,984,533,368	7,984,533,368	-	-	-	-
Long term musharika - secured	-	-	-	1,685,416,667	1,685,416,667	-	-	-	-
Current portion of non-current liabilities	-	-	-	2,142,163,428	2,142,163,428	-	-	-	-
Trade and other payables	-	-	-	2,545,885,033	2,545,885,033	-	-	-	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-	-	-	-
Short term borrowings - secured	-	-	-	9,910,552,807	9,910,552,807	-	-	-	-
Accrued mark-up	-	-	-	406,891,427	406,891,427	-	-	-	-
	-	-	-	24,687,782,811	24,687,782,811	-	-	-	-



Financial assets at amortised cost	Carrying amount			Fair value				
	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
Short term investment	198,288,000	-	-	198,288,000	198,288,000	-	-	198,288,000
Long term investment	-	2,062,650,604	-	2,062,650,604	2,041,006,604	-	21,644,000	2,062,650,604
<i>Financial assets - not measured at fair value</i>								
Trade debts	4,842,378,886	-	-	4,842,378,886	-	-	-	-
Bank balances	57,525,478	-	-	57,525,478	-	-	-	-
Long term deposits	24,071,493	-	-	24,071,493	-	-	-	-
Other receivable	10,262,392	-	-	10,262,392	-	-	-	-
Mark-up accrued	139,636,009	-	-	139,636,009	-	-	-	-
Long term advances to associates	1,636,826,351	-	-	1,636,826,351	-	-	-	-
	198,288,000	2,062,650,604	-	8,971,639,213	2,239,294,604	-	21,644,000	2,260,938,604

As at 30 June 2018

Financial assets - measured at fair value

Short term investment	198,288,000	-	-	198,288,000	198,288,000	-	-	198,288,000
Long term investment	-	2,062,650,604	-	2,062,650,604	2,041,006,604	-	21,644,000	2,062,650,604

Financial assets - not measured at fair value

Trade debts	4,842,378,886	-	-	4,842,378,886	-	-	-	-
Bank balances	57,525,478	-	-	57,525,478	-	-	-	-
Long term deposits	24,071,493	-	-	24,071,493	-	-	-	-
Other receivable	10,262,392	-	-	10,262,392	-	-	-	-
Mark-up accrued	139,636,009	-	-	139,636,009	-	-	-	-
Long term advances to associates	1,636,826,351	-	-	1,636,826,351	-	-	-	-
	198,288,000	2,062,650,604	-	8,971,639,213	2,239,294,604	-	21,644,000	2,260,938,604

Financial liabilities - not measured at fair value

Long term financing - secured	-	-	7,042,048,037	7,042,048,037	-	-	-	-
Long term musharika - secured	-	-	1,061,250,000	1,061,250,000	-	-	-	-
Current portion of non-current liabilities	-	-	1,828,059,070	1,828,059,070	-	-	-	-
Trade and other payables	-	-	1,968,936,674	1,968,936,674	-	-	-	-
Unclaimed dividend	-	-	8,971,945	8,971,945	-	-	-	-
Short term borrowings - secured	-	-	7,953,052,718	7,953,052,718	-	-	-	-
Accrued mark-up	-	-	275,093,224	275,093,224	-	-	-	-
	-	-	20,137,411,668	20,137,411,668	-	-	-	-



38 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

38.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

38.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 10,935.36 million (2018: Rs. 8,971.70 million) are subject to credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is:

	2019 Rupees	2018 Rupees
<u>Financial assets at FVOCI</u>		
Long term investment	1,910,753,472	2,062,650,604
<u>Financial assets at FVTPL</u>		
Short term investment	182,682,000	198,288,000
<u>Financial assets at amortised cost</u>		
Long term loan and advances	2,435,124,267	1,636,826,351
Loan and advances	484,090,787	-
Trade debts	5,432,387,658	4,842,378,886
Deposits and other receivables	30,503,739	10,262,392
Mark-up accrued, associated companies	293,102,880	139,636,009
Long term deposits	24,071,493	24,071,493
Bank balances	142,619,148	57,525,478
	8,841,899,972	6,710,700,609
	10,935,335,444	8,971,639,213



38.2 (a) Other financial assets

The credit quality of Company's investments can be assessed with reference to external credit rating agencies as follows:

<u>Financial assets at FVOCI</u>	<u>Rating</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
Fatima Fertilizers Company Limited	AA-	1,880,371,825	2,041,006,604
Multan Real Estate (Private) Limited	N/A	30,381,647	21,644,000
<u>Financial assets at FVTPL</u>			
Fatima Fertilizers Company Limited	A-1+	182,682,000	198,288,000
		2,093,435,472	2,260,938,604

38.2 (b) Counterparties with external credit rating

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

<u>Bank</u>	<u>Rating</u>		<u>Rating agency</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
	<u>Short term</u>	<u>Long term</u>			
Allied Bank Limited	A-1+	AAA	PACRA	4,812,202	155,866
National Bank of Pakistan	A-1+	AAA	JCR-VIS	28,976,281	2,005,109
MCB Bank Limited	A-1+	AAA	PACRA	24,537,922	4,723,440
Meezan Bank Limited	A-1+	AA+	JCR-VIS	-	100,000
UBL Bank Limited	A-1+	AAA	JCR-VIS	1,375,615	6,048,486
Standard Chartered Bank Pakistan Limited	A-1+	AAA	PACRA	1,060,501	1,979,268
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,286,965	5,161,870
Soneri Bank Limited	A-1+	AA-	PACRA	766,849	1,297,378
Bank Al Falah Limited	A-1+	AA+	PACRA	12,853,302	5,753,502
Askari Bank Limited	A-1+	AA+	PACRA	48,407,314	397,264
The Bank of Punjab	A-1+	AA	PACRA	4,033,469	652,269
The Bank of Khyber	A-1	A	PACRA	1,040,995	13,023,686
Bank Al Habib Limited	A-1+	AA+	PACRA	768,966	424,000
Bank Islamic Limited	A-1	A+	PACRA	1,303,839	454,034
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	988,927	1,810,104
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	-	3,413,800
Faysal Bank Limited	A-1+	AA	PACRA	2,478,252	98,698
Samba Bank Limited	A-1	AA	JCR-VIS	660	660
Silk Bank Limited	A-2	A-	JCR-VIS	73,295	73,295
Summit Bank Limited	Not available	Not available	JCR-VIS	2,198,234	3,474,940
JS Bank Limited	A-1+	AA-	PACRA	3,655,560	6,477,809
				142,619,148	57,525,478

38.2 (c) Counterparties without external credit rating

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. As explained in note 4.1.2, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 5,459.76 million (2018: Rs. 4,851.24 million), Rs. 2,266.90 million (2018: Rs. 3,338.36 million) are secured. The Company is exposed to credit risk. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:



	2019		2018	
	Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
	Rupees		Rupees	
The aging of trade debts at the reporting date is:				
<i>Export debtors - secured</i>				
Not past due	2,266,901,086	-	3,338,335,649	-
<i>Local debtors</i>				
Not past due	2,807,771,050	3,314,233	1,218,173,400	330,614
Past due				
1- 90 days	321,336,618	69,138	236,127,305	55,723
91 - 180 days	35,010,536	1,663	15,401,063	121,403
181 - 270 days	3,656,243	1,638,028	10,237,064	227,363
271 - 365 days	2,742,182	2,571,284	4,387,313	-
366 - above days	22,337,894	19,773,606	28,573,559	8,121,363
	5,459,755,609	27,367,952	4,851,235,353	8,856,466

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and shipments to the export customers are generally covered by letters of credit or other form of credit insurance.

Credit risk on loans and advances and markup accrued from associated companies are measured under General Approach and with respect to external credit ratings of the holding company.

38.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.



38.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations/ commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2019						
	Weighted average effective rate of interest	Carrying value	Contractual cash flows	Less than one year	One to five years	Above five years	Total
----- Rupees -----							
<u>Financial liabilities</u>							
Long term financing -secured	2.50% to 14.03%	11,812,113,463	14,934,044,503	3,163,893,044	8,964,402,927	2,805,748,532	14,934,044,503
Short term borrowings - secured	6.36% to 14.30%	9,910,552,807	10,114,120,662	10,114,120,662	-	-	10,114,120,662
Trade and other payables		2,545,885,033	2,700,306,045	2,700,306,045	-	-	2,700,306,045
Unclaimed dividend		12,340,081	12,340,081	12,340,081	-	-	12,340,081
Accrued markup		406,891,427	406,891,427	406,891,427	-	-	406,891,427
		24,687,782,811	28,167,702,718	16,397,551,259	8,964,402,927	2,805,748,532	28,167,702,718
----- Rupees -----							
2018							
----- Rupees -----							
<u>Financial liabilities</u>							
Long term financing -secured	2.50% to 8.21%	9,931,357,107	11,635,849,640	2,400,061,086	7,152,441,156	2,083,347,398	11,635,849,640
Short term borrowings - secured	2.55% to 8.36%	7,953,052,718	8,051,776,335	8,051,776,335	-	-	8,051,776,335
Trade and other payables		1,968,936,674	2,014,085,631	2,014,085,631	-	-	2,014,085,631
Unclaimed dividend		8,971,945	8,971,945	8,971,945	-	-	8,971,945
Accrued markup		275,093,224	275,093,224	275,093,224	-	-	275,093,224
		20,137,411,668	21,985,776,775	12,749,988,221	7,152,441,156	2,083,347,398	21,985,776,775

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount



38.5 Market risk

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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. Market risk comprises of currency risk, interest rate risk and other price risk.

38.5.1 Currency risk

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprises of:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
<u>Statement of financial position items</u>		
Export finances	-	-
Finance against imported merchandise	1,877,878,369	1,409,699,810
Foreign debtors	(2,266,901,086)	(3,338,335,649)
Gross balance sheet exposure	(389,022,717)	(1,928,635,839)
<u>Off statement of financial position items</u>		
Outstanding letters of credit	1,828,935,441	2,469,397,647
Net exposure	<u>1,439,912,724</u>	<u>540,761,808</u>

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		Spot rate	
	2019	2018	2019	2018
	----- Rupees ----- Rupees -----			
USD to Rupee	140.89	113.14	160.05	121.50



Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

<u>Effect on profit or loss</u>	2019 Rupees	2018 Rupees
USD to Rupee	<u>143,991,272</u>	<u>54,076,181</u>

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

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

Currency risk management

Since the maximum amount exposed to currency risk is only -1.60% (2018: -1.53%) of the Company's total assets, any adverse/ favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

38.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

	2019	2018	2019	2018
38.5.2 (a) Financial Instruments	Effective rate (in Percentage)		Carrying amount (Rupees)	
<u>Financial liabilities</u>				
<i>Fixed rate instruments:</i>				
Long term loan	2.50 - 3.25	2.50 - 3.25	<u>4,259,424,355</u>	<u>2,393,721,787</u>
<i>Variable rate instruments:</i>				
Long term loan	6.36 - 14.03	6.65 - 8.21	<u>7,552,689,108</u>	<u>7,537,635,320</u>
Short term borrowings	6.36 - 14.30	2.55 - 8.36	<u>9,910,552,807</u>	<u>7,953,052,718</u>
<u>Financial assets</u>				
<i>Variable rate instruments:</i>				
Loan to subsidiary company	8.03 - 13.79	7.26 - 7.86	<u>530,000,000</u>	<u>530,000,000</u>
Advance to associated company	8.53 - 14.29	7.76 - 8.36	<u>1,905,124,267</u>	<u>1,106,826,351</u>
Saving accounts	4.44 - 10.06	0.49 - 4.44	<u>2,509</u>	<u>452,668</u>

38.5.2 (b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.



38.5.2 (c) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	----- Rupees -----	
As at 30 June 2019	150,281,151	(150,281,151)
As at 30 June 2018	138,534,090	(138,534,090)

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

38.5.2 (d) Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

38.5.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position at fair value through profit or loss and fair value through OCI. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company's equity investment portfolio.

	2019			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	-----Rupees-----			
Financial assets at fair value through profit or loss	182,682,000	10% increase	200,950,200	18,268,200
		10% decrease	164,413,800	(18,268,200)
Financial assets at fair value at through OCI	1,910,753,472	10% increase	2,101,828,819	191,075,347
		10% decrease	1,719,678,125	(191,075,347)
	<u>2,093,435,472</u>			



	2018			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	-----Rupees-----			
Financial assets at fair value through profit or loss	198,288,000	10% increase	218,116,800	19,828,800
		10% decrease	178,459,200	(19,828,800)
Financial assets at fair value at through OCI	2,062,650,604	10% increase	2,268,915,664	206,265,060
		10% decrease	1,856,385,544	(206,265,060)
	<u>2,260,938,604</u>			

38.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective



39 Capital management

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

39.1 Gearing ratio as at 30 June 2019 and as at 30 June 2018 are as follows:

	2019 Rupees	2018 Rupees
Total debt	21,722,666,270	17,884,409,825
Total equity including revaluation surplus	20,925,244,095	20,015,477,003
Total capital employed	42,647,910,365	37,899,886,828
Gearing ratio	51%	47%

Total debt comprises of long term financing from conventional banks, long term musharika including current portion of long term borrowings and short term borrowings.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance.



39.2 Financial instruments by categories

At amortised cost

	Financial assets	
	2019	2018
	Rupees	Rupees
Long term loan to subsidiary	530,000,000	530,000,000
Long term loan to associates	1,905,124,267	1,106,826,351
Loan and advances	484,090,787	-
Trade debts	5,432,387,658	4,842,378,886
Other receivables	30,503,739	10,262,392
Long term deposits	24,071,493	24,071,493
Mark-up accrued	293,102,880	139,636,009
Bank balances	142,619,148	57,525,478
	8,841,899,972	6,710,700,609

At fair value through OCI

Long term investments	1,910,753,472	2,062,650,604
-----------------------	---------------	---------------

At fair value through Profit or loss

Short term investment	182,682,000	198,288,000
-----------------------	-------------	-------------

Other financial liabilities

	2019	2018
	Rupees	Rupees
Long term finances - <i>secured</i>	9,669,950,035	8,103,298,037
Current portion of non-current liabilities	2,142,163,428	1,828,059,070
Trade and other payables	2,545,885,033	1,968,936,674
Unclaimed dividend	12,340,081	8,971,945
Short term borrowings - <i>secured</i>	9,910,552,807	7,953,052,718
Accrued markup	406,891,427	275,093,224
	24,687,782,811	20,137,411,668



40 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019					
	Long term financing	Long term musharika	Short term borrowing	Unclaimed dividend	Accrued markup	Total
As at 01 July 2018	8,552,607,107	1,378,750,000	7,953,052,718	8,971,945	275,093,224	18,168,474,994
Changes from financing cash flows						
Proceeds from short term borrowings - net	-	-	1,957,500,089	-	-	1,957,500,089
Financial charges paid - net	-	-	-	-	(1,915,902,228)	(1,915,902,228)
Proceeds from long term financing	2,608,778,944	1,100,000,000	-	-	-	3,708,778,944
Long term financing repaid	(1,510,522,588)	(317,500,000)	-	-	-	(1,828,022,588)
Dividend paid	-	-	-	(251,631,864)	-	(251,631,864)
Total changes from financing cash flows	1,098,256,356	782,500,000	1,957,500,089	(251,631,864)	(1,915,902,228)	1,670,722,353
Other charges						
Finance cost	-	-	-	-	1,894,233,560	1,894,233,560
Dividend declared	-	-	-	255,000,000	-	255,000,000
Mark up on loan - received	-	-	-	-	153,466,871	153,466,871
Total liability related other changes	-	-	-	255,000,000	2,047,700,431	2,149,233,560
As at 30 June 2019	9,650,863,463	2,161,250,000	9,910,552,807	12,340,081	406,891,427	21,988,430,907



	2018					
	Long term financing	Long term musharika	Short term borrowing	Unclaimed dividend	Accrued markup	Total
<u>As at 01 July 2017</u>	7,475,659,120	1,221,250,000	7,516,146,659	7,972,261	249,256,533	16,470,284,573
<u>Changes from financing cash flows</u>						
Proceeds from short term borrowings - net	-	-	436,906,059	-	-	436,906,059
Financial charges paid - net	-	-	-	-	(1,202,040,181)	(1,202,040,181)
Proceeds from long term financing	2,483,887,998	500,000,000	-	-	-	2,983,887,998
Long term financing repaid	(1,406,940,011)	(342,500,000)	-	-	-	(1,749,440,011)
Dividend paid	-	-	-	(156,500,316)	-	(156,500,316)
Total changes from financing cash flows	1,076,947,987	157,500,000	436,906,059	(156,500,316)	(1,202,040,181)	312,813,549
<u>Other changes</u>						
Finance cost	-	-	-	-	1,134,481,766	1,134,481,766
Dividend declared	-	-	-	157,500,000	-	157,500,000
Mark up on loan - received	-	-	-	-	93,395,106	93,395,106
Total liability related other changes	-	-	-	157,500,000	1,227,876,872	1,385,376,872
<u>As at 30 June 2018</u>	<u>8,552,607,107</u>	<u>1,378,750,000</u>	<u>7,953,052,718</u>	<u>8,971,945</u>	<u>275,093,224</u>	<u>18,168,474,994</u>



41 Remuneration of Chief Executive officer, Directors, Non-Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the chairman and managing director, directors and executives of the Company are as follows:

	2019				2018					
	Chief Executive Officer	Non-Executive Director	Executive Director	Executives	Total	Chief Executive Officer	Non-Executive Director	Executive Director	Executives	Total
Managerial remuneration	1,760,374	-	5,365,006	44,450,526	51,575,906	6,064,595	10,176,828	5,926,896	11,565,202	33,733,521
House rent and utilities	76,984	-	-	7,317,613	7,394,597	13,266	1,550	-	2,355,040	2,369,856
Medical	177,965	-	-	4,335,499	4,513,464	138,049	7,200	-	1,156,520	1,301,769
Conveyance / petrol	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	5,474	2,665	-	-	8,139
	2,015,323	-	5,365,006	56,103,638	63,483,967	6,221,384	10,188,243	5,926,896	15,076,762	37,413,285
Numbers	1	4	1	21	27	1	2	1	7	11

41.1 In addition to above, only Non-Executive Directors were paid Rs. Nil (2018: Rs. Nil) as meeting fee.

41.2 Chief Executive Officer, Executive directors and some of the executives are also provided with maintained cars and telephones at residences of directors for the Company's business purposes.

41.3 These include Rs. 9.92 million (2018: Rs. 1.49 million) in respect of staff retirement benefits.

42 Number of employees

Total number of employees as at June 30,

Average number of employees during the year

	2019	2018
Production	4,627	4,927
	4,778	4,856



43 Related party transactions and balances

The related parties comprise of subsidiary, associated companies, directors of the Company and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

	Name of parties	Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
a)	Fazal Weaving Mills Limited	Related party	Wholly owned subsidiary		
	Sale of goods and services			2,296,623,357	336,162,949
	Purchase of goods and services			2,370,581,096	3,856,768,909
	Payments against purchase of goods and services-net			563,561,518	3,027,236,676
	Mark-up on loan			56,558,694	39,193,863
b)	Fatima Fertilizer Company Limited	Related party	Common Directorship and 3.29 % (2018: 3.29%) of shareholding in associate		
	Dividend Income			120,949,554	156,406,569
	Reimbursable expenses			1,473,212	3,616,897
c)	Fatima Energy Limited	Related party	Common Directorship and 24.11 % (2018: 24.11%) of shareholding in associate		
	Long term advance			782,807,121	752,718,716
	Mark-up accrued on advance			173,555,460	47,111,942
	Purchase of goods and services			4,036,058	12,690,109
	Payments against purchase of goods and services-net			9,815,884	6,152,588
d)	Fatimafert Limited	Related party	Common Directorship		
	Sale of goods and services			-	4,414,554



	Name of parties	Relationship	Basis of Relationship	Rupees	
				2019	2018
e)	Reliance Weaving Mills Limited	Related party	Common Directorship		
	Sale of goods and services			31,338,100	24,361,706
	Purchase of goods and services			-	1,490,000
	Receipts against sale of goods and services - net			33,667,003	23,134,688
f)	Ahmed Fine Textile Mills Limited	Related party	Common Directorship		
	Sale of goods and services			191,606,043	25,535,479
	Purchase of goods and services			634,952,247	592,965,561
	Payment against sale of goods and services - net			525,744,880	495,967,704
	Reimbursable expenses			2,500,000	-
g)	Fazal-ur-Rehman Foundation, Multan	Related party	Common Directorship		
	Donations			3,290,070	3,784,412
h)	Fazal Rehman Fabrics Limited	Related party	Common Directorship		
	Sale of goods and services - net			2,944,431,269	1,830,981,521
	Purchase of goods and services			37,993,304	131,640,137
	Receipts against sale of goods and services - net			2,739,302,125	1,821,540,983
i)	Hussain Ginneries Limited	Related party	Common Directorship		
	Expenses incurred on behalf of associate			1,981,757	11,901,194
	Receipts against expenses			-	10,937,500
	Payments against expenses - net			2,294,652	-
j)	Fazal Farm (Pvt) Limited	Related party	Common Directorship		
	Purchase of goods and services			4,040,976	-
	Payments against purchase of goods and services-net			2,222,337	-



	Name of parties	Relationship	Basis of Relationship	2019	2018
				Rupees	Rupees
k)	Fatima Sugar Mills Limited	Related party	Common Directorship		
	Payments against expenses			2,600,000	-
	Reimbursable expenses			2,600,000	-
	Others			4,835	-
l)	Fatima Transmission Company Limited	Related party	Common Directorship		
	Long term advance			15,490,795	11,559,590
	Mark-up accrued on long term advance			3,541,501	1,464,889
m)	Pak Arab Energy Limited	Related party	Common Directorship		
	Mark-up accrued on long term advance			2,893,871	2,045,150
n)	Friends of Cardiology Foundation Multan (Previously: Cardiology Multan Foundation)	Related party	Common Directorship/ Trustees		
	Donations			3,266,775	2,000,000
o)	Taary Zameen Par Trust	Related party	Common Directorship/ Trustees		
	Donations			100,000	-

All transactions with related parties have been carried out on commercial terms and conditions except due from subsidiary on account of non trading activities.

**44 Geographical information**

The Company operates in one principal geographical area. The Company's gross revenue from external customers by geographical location is detailed below:

	<i>Note</i>	2019 Rupees	2018 Rupees
Domestic Sales	28	28,162,548,600	18,370,097,858
Export Sales	44.1	8,332,920,634	13,041,415,720
		<u>36,495,469,234</u>	<u>31,411,513,578</u>

44.1 Country wise export sales are as under

China		2,388,368,664	6,338,788,292
United States of America		1,512,493,143	1,020,606,120
Portugal		752,736,085	692,895,117
Turkey		255,953,798	683,225,693
Hong Kong		110,058,482	691,998,798
Germany		467,451,117	360,845,895
Singapore		157,481,663	358,165,190
Italy		185,329,846	338,485,475
Bangladesh		75,736,954	299,568,864
Belgium		-	223,651,275
Poland		137,007,707	224,164,236
Colombia		143,031,096	177,163,134
Korea		12,307,066	155,853,507
Others		687,435,047	732,127,365
Indirect exports	28.2	1,447,529,966	743,876,759
		<u>8,332,920,634</u>	<u>13,041,415,720</u>

44.1.1 All export sales during the year other than indirect are secured against letter of credit.

45 Capacity and production

		2019	2018
Spinning:			
Number of spindles installed		198,804	197,556
Number of rotors and MVS spindles installed		4,572	3,132
<i>Number of shifts worked</i>			
Unit I, II, III and IV		1,094	1,094
Number of spindles - <i>shifts worked</i>		217,491,576	216,126,264
Capacity at 20's count	<i>Kgs.</i>	91,321,605	85,249,641
Actual production of all counts	<i>Kgs.</i>	73,298,412	69,976,500
Actual production converted into 20's count	<i>Kgs.</i>	95,307,424	88,638,534

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



		2019	2018
Weaving:			
Number of looms installed		224	224
Number of looms worked		224	224
Number of shifts worked		1,094	1,094
Standard cloth production	Mtr.	48,678,153	46,502,793
Actual cloth production	Mtr.	45,104,690	42,604,464

The utilization of available capacity below standard capacity of weaving is mainly due to normal maintenance.

46 Non adjusting event after statement of financial position date

The Board of Directors of the Company in their meeting held on 26 September 2019 has proposed a final cash dividend of Rs. 10.50 per share (Rs. 5.25 per share) for the year ended 30 June 2019 held for approval of the members in the Annual General Meeting to be held on 26 October 2019. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

47 Date of authorization of financial statements

These financial statements were authorized for issue on 26 September 2019, by the Board of Directors of the Company.

48 General

48.1 Figures have been rounded off to the nearest Rupee, except stated otherwise.

48.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Fazal Cloth Mills Limited (The Group)

Consolidated Financial Statements

for the year ended 30 June 2019



Directors Report

Directors of Fazal Cloth Mills Limited Company and its subsidiary Company (the Group) are pleased to present annual report of the Group for the year ended 30 June 2019 along with the financial statements and auditors' report thereon.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Financial performance of the Group improved during the current year. Profit after tax of the Group increased to Rupees 1,587.84 million in financial year 2018-19 from Rupees 1,276.52 million in financial year 2017-18 registering an increase of 24.39%. Availability of electricity and gas tariff at regionally competitive rates and devaluation of Pakistani Rupee exchange rate were the main reasons for increase in profit.

Following is a summary of the key financial numbers:

Financial Highlights:	2019 Rupees in ('000')	2018 Rupees in ('000')	Increase / (decrease) % age
Sales –net	40,913,729	33,345,189	22.70%
Cost of sales	35,886,846	30,141,180	19.06%
Gross profit	5,026,883	3,204,009	56.89%
EBITDA	6,085,908	3,928,352	54.92%
Depreciation	1,158,717	1,022,042	13.37%
Finance cost	2,334,040	1,372,066	70.11%
Other income	823,057	484,658	69.82%
Profit before tax	2,593,151	1,534,750	68.96%
Profit after tax	1,587,840	1,276,527	24.39%
EPS	52.93	42.55	24.39%

FUTURE OUTLOOK

GoP has levied GST @ 17% on local sales of textile goods. Sellers are also required to charge 3% further tax and disclose CNIC of customers who are not registered with FBR.

Due to very high rate of GST and the fact that most of the customers involved in domestic trade of textiles are not registered with FBR, sales of yarns and fabrics destined for domestic market consumption have reduced sharply. Inventory has built up resulting in higher financial cost. Margins on these products have also been reduced. Almost 25% of sales of your company are effected.

Remaining 75% sales of your company comprise of either direct or indirect exports. Sales position and margins of this part remains satisfactory.

In view of the above, your company expects lower profit during the current year as compared to last year.



QUALIFICATION IN REPORT OF AUDIT TO CONSOLIDATED FINANCIAL STATEMENTS

Auditors issued a qualified opinion in report on the audit of consolidated financial statements. Qualified opinion and the Board's view is narrated below;

Qualified Opinion	Board's View
<p>As stated in note 17.4 to the consolidated financial statements, the Group's investment in associates i.e. Fatima Energy limited, Fatima Transmission Company Limited and Fatima Electric Company Limited has been accounted for using the equity method. The financial results of these associates have been included in the financial statements of the Group based on unaudited financial statements of these associates. Owing to non-availability of audited financial statements we were unable to obtain sufficient appropriate audit evidence in respect of share of net loss for the year amounting to Rs. 64.29 million included in statement of profit or loss of the Group and the carrying amount of investment in associates in the statement of financial position. Consequently we were unable to determine whether any adjustments to these amounts were necessary.</p>	<p>Para 33 of International Accounting Standard 28 investments in <i>Associates and Joint Venture</i> allows to use most recent available financial statements of the associate while applying equity method. Audit of financial statements of associated companies i.e. Fatima Energy limited, Fatima Transmission Company Limited and Fatima Electric Company Limited was finalized subsequent to date of approval of financial statements of the Group.</p> <p>The financial results of the associates, as reported in their unaudited financial statements, that have been included in the financial statements of the Group do not materially differ from their audited financial statements.</p>

Dated: September 26, 2019

**(Amir Naseem Sheikh)
Director**

For and on behalf of the Board

**(Rehman Naseem)
Chief Executive Officer**

ڈائریکٹرز رپورٹ

فضل کلاتھ ملز لمیٹیڈ (کمپنی) کے ڈائریکٹرز فضل کلاتھ ملز لمیٹیڈ اور اسکی ذیلی کمپنی (گروپ) کی سالانہ رپورٹ برائے سال 30 جون 2019 پیش کر رہے ہیں۔

کمپنی کا مالیاتی جائزہ

کمپنی کی مالیاتی کارکردگی رواں سال بہترین رہی۔ گروپ کارواں سال منافع بعد از ٹیکس 1,587.84 ملین روپ رہا جو کہ پچھلے مالی سال میں 1276.52 ملین روپے تھا لہذا اضافہ 24.39 فی صد رہا۔ گیس اور بجلی کی کم نرخوں پر دستیابی اور روپے کی قدر میں کمی منافع میں اضافہ کی وجہ ہیں۔ نمایاں مالیاتی اعداد درج ذیل ہیں۔

تفصیلات	2019 Rs. (000)	2018 Rs. (000)	اضافہ / کمی فی صد
فروختگی	40,913,729	33,345,189	22.70
فروختگی کی لاگت	35,886,846	30,141,180	19.06
گراس منافع	5,026,883	3,204,009	56.89
فروسوگی اور مالیاتی اخراجات سے پہلے کا منافع	6,085,908	3,928,352	54.92
فروسوگی	1,158,717	1,022,042	13.37
مالیاتی خرچہ	2,334,040	1,372,066	70.11
دوسری آمدن	823,057	484,658	69.82
منافع قبل از ٹیکس	2,593,151	1,534,750	68.96
منافع بعد از ٹیکس	1,587,840	1,276,527	24.39
فی حصص آمدنی	52.93	42.55	24.39

مستقبل کے نقطہ نظر سے ٹیکسٹائل کاروبار

حکومت پاکستان نے ٹیکسٹائل کی مقامی فروخت پر 17 فیصد جی ایس ٹی کا نفاذ کیا ہے۔ اور فروخت کنندہ کے لیے لازمی قرار دیا کہ وہ ایف۔ بی۔ آر سے غیر رجسٹرڈ افراد سے تین فیصد اضافی ٹیکس کے ساتھ ساتھ خریدار کا شناختی کارڈ بھی وصول کرے۔

مقامی سطح پر کپڑا اور دھاگہ کی فروخت میں کمی واقع ہوئی ہے جس کی وجہ بلند جی۔ ایس۔ ٹی اور ٹیکسٹائل سے وابستہ مقامی کاروباری افراد کا ایف۔ بی۔ آر سے رجسٹرڈ نہ ہونا ہے۔ مالیاتی لاگت میں اضافہ کی وجہ سے سٹاک میں بھی اضافہ ہوا ہے۔ جس کی وجہ سے مصنوعات میں منافع کی شرح میں کمی ہوئی تقریباً 25 فیصد تک مصنوعات کی فروخت متاثر ہوئی ہے۔ جبکہ بقیہ بلواستہ یا بلاواستہ 75 فیصد فروخت جو کہ برآمدات پر مشتمل ہے قابل اطمینان رہی ہے۔ مندرجہ بالا حالات کو مدنظر رکھتے ہوئے کمپنی رواں سال منافع میں کمی کی توقع کر رہی ہے۔

گروپ کے مالی حسابات کی آڈٹ رپورٹ میں آڈیٹر کی کوالیفائڈ رپورٹ

کوالیفائڈ رائے اور اس پر بورڈ کا نظریہ درج ذیل ہے۔

کوالیفائڈ رائے

جیسا کہ گروپ کے مجموعی مالی حسابات کے نوٹ نمبر 17.4 میں بتایا گیا ہے کہ ایسوسی ایٹ کمپنیز فاطمہ انرجی لمیٹیڈ، فاطمہ ٹرانسمیشن لمیٹیڈ اور فاطمہ الیکٹرک لمیٹیڈ کا حصہ گروپ کے مالی حسابات میں ایکویٹی طریقہ کار مطابق شمار کیا گیا ہے۔ ایسوسی ایٹ کے مالی نتائج، جو کہ گروپ کے مالی حسابات میں شامل کیے گئے ہیں، غیر آڈٹ شدہ ہیں جس کی وجہ سے ایسوسی ایٹ کے نقصان کی رقم جو کہ 64.29 ملین روپے ہے اس کا گروپ کی منافع / نقصان میں شمولیت پر مناسب شہادت نہیں حاصل کی جاسکتی۔ اس طرح ایسوسی ایٹ میں سرمایہ کاری کی رقم پر بھی مناسب شہادت نہیں حاصل کی جاسکتی۔ لہذا نقصان کے حصے اور سرمایہ کاری کی رقم میں اگر کوئی رد و بدل ہے تو معلوم نہیں کیا جاسکتا۔

بورڈ کی رائے

عالمی اکاؤنٹنگ اسٹینڈرڈز نمبر 28 ایسوسی ایٹ کمپنیز میں سرمایہ کاری سے متعلق ہے۔ اس کا پیرا نمبر 33 اس بات کی اجازت دیتا ہے کہ گروپ کے مالی حسابات میں ایسوسی ایٹ کمپنی کے تازہ ترین حسابات کو شامل کیا جاسکتا ہے۔ جب ایسوسی ایٹ کا حصہ ایکویٹی طریقہ کار سے متعین کیا جا رہا ہو۔ ایسوسی ایٹ کمپنیز فاطمہ انرجی لمیٹیڈ، فاطمہ ٹرانسمیشن کمپنی لمیٹیڈ اور فاطمہ الیکٹرک کمپنی لمیٹیڈ کے آڈٹ شدہ مالی حسابات کی تکمیل گروپ کے مالی حسابات کی منظوری کے بعد ہوئی۔ ایسوسی ایٹ کے وہ مالی نتائج جو کہ غیر آڈٹ شدہ مالی حسابات میں سے شامل کیے گئے تھے وہ ایسوسی ایٹ کمپنیز کے آڈٹ شدہ مالی حسابات میں ظاہر شدہ نتائج سے بہت زیادہ مختلف نہیں۔

بورڈ کی طرف سے



رحمان نسیم
چیف ایگزیکٹو آفیسر

بتاریخ: ستمبر 26، 2019



عامر نسیم شیخ
ڈائریکٹر



INDEPENDENT AUDITOR'S REPORT

To the members of Fazal Cloth Mills Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of **Fazal Cloth Mills Limited and its subsidiary (the Group)**, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

As stated in note 17.4 to the consolidated financial statements, the Group's investment in associates i.e. Fatima Energy Limited, Fatima Transmission Company Limited and Fatima Electric Company Limited has been accounted for using the equity method. The financial results of these associates have been included in the financial statements of the Group based on unaudited financial statements of these associates. Owing to non-availability of audited financial statements we were unable to obtain sufficient appropriate audit evidence in respect of share of net loss for the year amounting to Rs. 64.29 million included in statement of profit or loss of the Group and the carrying amount of investment in associates in the statement of financial position. Consequently we were unable to determine whether any adjustments to these amounts were necessary.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report:



Sr. No.	Key audit matters	How the matter was addressed in our audit
01	<p>Sales</p> <p>Refer to statements of profit or loss and note 4.17 and 28 to the consolidated financial statements.</p> <p>The Group recognized revenue of Rs. 40,914.73 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2019.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to a risk that revenue is recognized without transferring the control.</p>	<p>Our audit procedures to assess recognition of sales, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of key internal controls; • Assessing the appropriateness of the Group's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; • Comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents; • Comparing a sample of sale transactions recorded around the year with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period; • Comparing, on a sample basis, specific sale transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and • Scanning for any manual journal entries relating to sales raised during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
02	<p>Capitalization of property, plant and equipment</p> <p>Refer notes 4.3 and 16 to the consolidated financial statements.</p> <p>The Group has made significant capital expenditure on expansion of manufacturing facilities.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> • understanding the design and implementation of management controls over capitalization and testing control over authorization of capital expenditure and accuracy of its recording in the system; • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and



Sr. No.	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> inspecting supporting documents for the date of capitalization when project assets were ready for its intended use to assess that depreciation commenced and further capitalization of costs ceased from that date and to assess the useful life assigned by management including testing the calculation of related depreciation.
03	<p>Impairment testing of investment in associate</p> <p>Refer note 4.13.5 and 17 to the consolidated financial statements.</p> <p>Long term investments in associates includes investment of Rs. 1,241.87million in Fatima Energy Limited, an unquoted associated undertaking.</p> <p>As at 30 June 2019, management conducted an impairment test to assess the recoverability of the carrying value of investment in the associate. This was performed using a discounted cash flow model.</p> <p>We identified assessing the carrying value of investment in associate as a key audit matter because significant degree of management judgment involved in assessing its recoverable amount.</p>	<ul style="list-style-type: none"> Our audit procedures, amongst others, included the following: discussing with the Group's management key assumptions used in the valuation model and testing the mathematical accuracy of the model; involving our internal valuation specialist to assist us in evaluating the assumptions and judgements adopted by management in its discounted cash flow analysis (i.e. growth rate, terminal values and the discount rate) used to derive the recoverable amount investment in associate; and comparing the recoverable amount with the the carrying value of investment to identify impairment, if any.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the consolidated financial statements

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

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



alternative but to do so.

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

Lahore

Date: October 04, 2019

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Bilal Ali





Consolidated Statement of Financial Position

EQUITY AND LIABILITIES	Note	2019 Rupees	2018 Rupees
<u>Share capital and reserves</u>			
Authorized share capital		700,000,000	700,000,000
Issued, subscribed and paid-up capital	5	300,000,000	300,000,000
<i>Capital reserves:</i>			
- Others capital reserves	6	1,373,543,815	1,525,440,947
- Revaluation surplus on property, plant and equipment	7	9,558,609,807	10,139,599,548
Unappropriated profits - revenue reserve		10,516,841,450	8,818,046,544
		21,748,995,072	20,783,087,039
<u>Non-current liabilities</u>			
Long term financing - <i>secured</i>	8	8,755,286,862	8,139,468,219
Long term musharika - <i>secured</i>	9	1,690,100,636	1,069,056,619
<i>Deferred liabilities:</i>			
- Staff retirement benefit	10	273,812,115	268,709,476
- Deferred taxation	10	3,039,211,159	2,201,316,664
		13,758,410,772	11,678,550,978
<u>Current liabilities</u>			
Current portion of non-current liabilities	11	2,517,786,016	2,200,556,658
Trade and other payables	12	3,786,286,553	2,927,435,630
Unclaimed dividend		12,340,081	8,971,945
Short term borrowings - <i>secured</i>	13	12,299,901,368	10,728,556,612
Accrued mark-up	14	481,255,957	322,880,239
		19,097,569,975	16,188,401,084
Contingencies and commitments	15	54,604,975,819	48,650,039,101

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.


(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER



As at 30 June 2019

ASSETS	Note	2019 Rupees	2018 Rupees
<u>Non-current assets</u>			
Property, plant and equipment	16	27,229,288,197	25,705,532,152
Long term investments	17	3,177,998,048	3,394,186,400
Long term advance to associates	18	1,905,124,267	1,106,826,351
Long term deposits		24,071,493	24,071,493
		32,336,482,005	30,230,616,396
 <u>Current assets</u>			
Stores, spares and loose tools	19	761,761,480	542,244,220
Stock-in-trade	20	13,033,292,318	10,357,337,703
Trade debts	21	6,132,305,095	5,237,758,287
Loans and advances	22	92,746,164	164,567,405
Deposits, prepayments and other receivables	23	374,669,526	589,503,123
Mark-up accrued, associated companies	24	261,329,890	81,339,057
Short term investment	25	182,682,000	198,288,000
Tax refunds due from the Government - net	26	1,230,231,303	1,114,087,418
Cash and bank balances	27	199,476,038	134,297,492
		22,268,493,814	18,419,422,705
		54,604,975,819	48,650,039,101


(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Consolidated Statement of Profit or Loss

For the year ended 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
Sales - net	28	40,913,728,848	33,345,188,767
Cost of sales	29	<u>(35,886,846,301)</u>	<u>(30,141,180,066)</u>
Gross profit		5,026,882,547	3,204,008,701
Selling and distribution expenses	30	<u>(261,769,648)</u>	<u>(298,619,453)</u>
Administrative expenses	31	<u>(350,138,859)</u>	<u>(297,508,099)</u>
Other expenses	32	<u>(246,549,267)</u>	<u>(140,942,277)</u>
		(858,457,774)	(737,069,829)
Other income	33	<u>823,057,309</u>	<u>484,658,245</u>
Profit from operations		4,991,482,082	2,951,597,117
Share of loss from associates - net	34	<u>(64,291,220)</u>	<u>(44,781,455)</u>
Finance cost	35	<u>(2,334,039,892)</u>	<u>(1,372,066,075)</u>
Profit before taxation		2,593,150,970	1,534,749,587
<i>Taxation</i>			
- Group		<u>(1,005,311,355)</u>	<u>(248,694,584)</u>
- Associates		<u>-</u>	<u>(9,527,790)</u>
	36	<u>(1,005,311,355)</u>	<u>(258,222,374)</u>
Profit after taxation		<u>1,587,839,615</u>	<u>1,276,527,213</u>
<i>Attributable to:</i>			
Equity holders of the Holding Company		<u>1,587,839,615</u>	<u>1,276,527,213</u>
Earnings per share - basic and diluted	37	<u>52.93</u>	<u>42.55</u>

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	2019 Rupees	2018 Rupees
Profit after taxation	1,587,839,615	1,276,527,213
<u>Other comprehensive income - net of tax</u>		
<i>Items that will never be reclassified to statement of profit or loss:</i>		
- Re-measurement of defined benefit liability	29,760,268	(12,939,178)
- Related tax impact	(5,520,115)	2,332,224
	24,240,153	(10,606,954)
<i>Re-measurement of defined benefit liability</i>		
- Group's share in associates	-	(131,158)
Revaluation surplus on property, plant and equipment	-	4,151,158,550
Related deferred tax liability on revaluation surplus on property, plant and equipment	-	(352,893,274)
	-	3,798,265,276
Net change in fair value of financial assets at FVOCI	(151,897,132)	(81,262,300)
Total comprehensive income for the year	1,460,182,636	4,982,792,077

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Consolidated Statement of Changes in Equity For the year ended 30 June 2019

	Capital reserves				Revenue reserve		Total
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
Balance as at 30 June 2017	300,000,000	77,616,000	175,000,000	1,354,087,247	6,507,472,663	7,420,558,491	15,834,734,401
<u>Total comprehensive income for the year :</u>							
Profit for the year ended 30 June 2018	-	-	-	-	-	1,276,527,213	1,276,527,213
Other comprehensive (loss)/ income for the year	-	-	-	(81,262,300)	3,798,265,276	(10,738,112)	3,706,264,864
	-	-	-	(81,262,300)	3,798,265,276	1,265,789,101	4,982,792,077
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	123,060,561	-	123,060,561
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - <i>net of tax</i>	-	-	-	-	(271,866,614)	271,866,614	-
Transfer from surplus on revaluation of fixed assets on disposal - <i>net of tax</i>	-	-	-	-	(17,332,338)	17,332,338	-
<u>Transactions with the owners of the Group :</u>							
Cash dividend @ Rs. 5.25 per ordinary share for the year ended 30 June 2017	-	-	-	-	-	(157,500,000)	(157,500,000)
Balance as at 30 June 2018	300,000,000	77,616,000	175,000,000	1,272,824,947	10,139,599,548	8,818,046,544	20,783,087,039

----- Rupees -----



	Capital reserves				Revenue reserve		Total
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
	----- Rupees -----						
Balance as at 30 June 2018 - carried forward	300,000,000	77,616,000	175,000,000	1,272,824,947	10,139,599,548	8,818,046,544	20,783,087,039
Total comprehensive income for the year :							
Profit for the year 30 June 2019	-	-	-	-	-	1,587,839,615	1,587,839,615
Other comprehensive (loss)/ income for the year	-	-	-	(151,897,132)	-	24,240,153	(127,656,979)
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	(151,897,132)	-	1,612,079,768	1,460,182,636
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	(239,274,603)	-	(239,274,603)
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - <i>net of tax</i>	-	-	-	-	(323,514,158)	323,514,158	-
Transfer from surplus on revaluation of fixed assets on disposal - <i>net of tax</i>	-	-	-	-	(18,200,980)	18,200,980	-
Transactions with the owners of the Group :							
Cash dividend @ Rs. 8.50 per ordinary share for the year ended 30 June 2018	-	-	-	-	-	(255,000,000)	(255,000,000)
Balance as at 30 June 2019	300,000,000	77,616,000	175,000,000	1,120,927,815	9,558,609,807	10,516,841,450	21,748,995,072

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	<i>Note</i>	2019 Rupees	2018 Rupees
<u>Cash flows from operating activities</u>			
Profit before taxation		2,593,150,970	1,534,749,587
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	16.1.1	1,158,717,195	1,021,399,699
Amortization of intangible assets		-	136,464
Impairment loss of goodwill	31	-	505,761
Unrealized loss on re-measurement of short term investment	32	15,606,000	7,894,800
Allowance for impairment of trade debts	32	20,087,317	8,856,467
Provision for gratuity	10.1.3	143,181,585	128,753,701
Provision for infrastructure cess		96,855,414	67,253,913
Provision for workers' profit participation fund	12.3	133,481,782	85,835,267
Provision for workers' welfare fund	12.4	22,372,534	14,449,516
Loss on disposal of property, plant and equipment	32	34,501,680	10,389,043
Loss on sale of short term investments	32	-	818,600
Dividend income	33	(120,949,554)	(156,406,569)
Share of loss from associates	34	64,291,220	44,781,455
Finance cost	35	2,334,039,892	1,372,066,075
Cash generated from operations before working capital changes		6,495,336,035	4,141,483,779
<u>Effect on cash flows due to working capital changes</u>			
<i>(Increase)/ decrease in current assets:</i>			
Stores, spares and loose tools		(219,517,260)	84,240,827
Stock-in-trade		(2,675,954,615)	(2,777,338,113)
Trade debts		(914,634,125)	(627,555,426)
Loans and advances		71,821,241	33,027,621
Deposits, prepayments and other receivables		214,833,597	(273,536,638)
		(3,523,451,162)	(3,561,161,729)
<i>Increase in current liabilities:</i>			
Trade and other payables		606,141,193	677,393,980
Cash generated from operations		3,578,026,066	1,257,716,030
Gratuity paid	10.1.2	(108,318,678)	(87,597,740)
Taxes paid - net		(528,355,463)	(314,606,552)
		(636,674,141)	(402,204,292)
Net cash generated from operating activities		2,941,351,925	855,511,738
<u>Cash flows from investing activities</u>			
Fixed capital expenditure		(2,734,976,051)	(1,637,991,715)
Proceeds from sale of property, plant and equipment		18,001,131	34,561,949
Long term loan and advances		(798,297,916)	(764,278,306)
Proceeds from sale of short term investments		-	12,657,400
Long term deposits		-	375,000
Dividend received		120,949,554	156,406,569
Net cash used in investing activities		(3,394,323,282)	(2,198,269,103)
<u>Cash flows from financing activities</u>			
Long term financing obtained		2,608,778,944	2,533,887,998
Long term financing repaid		(1,834,064,276)	(1,602,503,419)
Long term musharika obtained		1,100,000,000	500,000,000
Long term musharika repaid		(320,622,650)	(345,622,650)
Short term borrowings - net		1,571,344,756	1,787,828,679
Finance cost paid - net		(2,355,655,007)	(1,383,389,479)
Dividend paid		(251,631,864)	(156,500,316)
Net cash generated from financing activities		518,149,903	1,333,700,813
Net decrease in cash and cash equivalents		65,178,546	(9,056,552)
Cash and cash equivalents at 01 July		134,297,492	143,354,044
Cash and cash equivalents at 30 June		199,476,038	134,297,492

The annexed notes from 1 to 50 form an integral part of these consolidated financial statements.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1 Corporate and general information

1.1 Reporting entity

The Group comprises of	Shareholding	Nature
- Fazal Cloth Mills Limited ('Holding Company')		Spinning and weaving
- Fazal Weaving Mills Limited ('Subsidiary Company')	100%	Spinning

Associated companies :

- Fatima Energy Limited ('FEL')	24.11%	Energy generation
- Fatima Transmission Company Limited ('FTCL')	24.00%	Transmission of energy
- Fatima Electric Company Limited ('FECL')	20.00%	Supply, generation and distribution of energy

1.1.1 The Holding Company was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.1.2 The Subsidiary Company was incorporated in Pakistan in 1989 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility and warehouse of the Company is located at Mauza Khairabad, Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab. The Subsidiary Company commenced its commercial production on 01 April 2014.

2 Basis of preparation

2.1 Consolidated financial statements

These Consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2019 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2019. Details regarding the financial information of associated companies used in the preparation of these consolidated financial statements are given in note 17.4.2 to these consolidated financial statements.



2.2 Statement of compliance

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

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

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

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, recognition of staff retirement benefits at present value and revaluation of certain financial instruments at fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.4 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupees ('Rs.') which is the Group's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, 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 from 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 a continuous 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 affected.

The areas where assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

2.5.1 Property, plant and equipment

The Group reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Group expects to derive from that item and the maximum period unto which the such benefits are expected



to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.2 Recoverable amount of assets/ cash generating units and impairment

The management of the Group reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

2.5.4 Stores, spares, loose tools and stock-in-trade

The Group reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

2.5.5 Expected credit loss (ECL)/ Loss allowance against trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Group reviews the recoverability of its trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances to assess amount of loss allowance required on an annual basis.



2.5.6 Provisions and Contingencies

The Group reviews the status of all pending litigations and claims against the Group. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. 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. However, based on the best judgment of the Group and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

2.5.7 Employee benefits

The Group operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The Projected Unit Credit method used for the valuation of the scheme is based on assumptions stated in note 10.1.

2.5.8 Taxation

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

The Group also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

3 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

3.1 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.



Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IFRS 9 ‘Financial Instruments’ – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortized cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are ‘solely payments of principal and interest’. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Group’s consolidated financial statements.
- Amendment to IAS 28 ‘Investments in Associates and Joint Ventures’ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group’s consolidated financial statements.
- Amendments to IAS 19 ‘Employee Benefits’ - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group’s consolidated financial statements.
- Amendment to IFRS 3 ‘Business Combinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements. The application of amendments is not likely to have an impact on Group’s consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that



will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Group’s financial statements.

4 Summary of Significant Accounting Policies

The significant accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except as disclosed in note 4.1.

4.1 Changes in accounting policies

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards. The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

4.1.1 IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. The Group manufactures yarn, fabric and allied products and contracts with customers for the sale of goods which generally includes single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer. The above is generally consistent with the timing and amounts of revenue the Group recognized in accordance with the previous standard,



IAS 18. Therefore, the adoption of IFRS 15 which has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations at 01 July 2018, did not have a material impact on the amounts of revenue recognized in these consolidated financial statements. Group's accounting policy relating to revenue recognition is explained in note 4.17 of these consolidated financial statements.

Upon adoption of IFRS 15 amounts received for future sale of goods were reclassified to 'contract liabilities'. Previously, these amounts were classified as "advances from customers".

Impact on financial statements

As at 01 July 2018, contract liabilities were increased by Rs. 49.54 million and advance from customers decreased by the same amount.

4.1.2 IFRS 9 - Financial instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.2.1 Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through profit or loss (FVTPL); and
- those to be measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated statement of profit or loss. Any gain on derecognition is recognised in consolidated statement of profit or loss.



For assets measured at fair value, gains and losses will either be recorded in consolidated statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. Dividend income is recognized in the consolidated statement of profit or loss.

4.1.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 01 July 2018:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Long term investments in Listed equity	Available for sale	FVOCI	2,041,006,604	2,041,006,604
Unlisted equity security	At cost	FVOCI*	21,644,000	21,644,000
Long term loan and advances	Loans and receivable	Amortized cost	1,106,826,351	1,106,826,351
Long term deposits	Loans and receivable	Amortized cost	24,071,493	24,071,493
Trade debts	Loans and receivable	Amortized cost	5,237,758,287	5,237,758,287
Loans and advances - short term	Loans and receivable	Amortized cost	164,567,405	164,567,405
Other receivables	Loans and receivable	Amortized cost	22,384,973	22,384,973
Mark-up accrued	Loans and receivable	Amortized cost	81,339,057	81,339,057
Short term investment	FVTPL	FVTPL	198,288,000	198,288,000
Cash and bank balances	Loans and receivable	Amortized cost	134,297,492	134,297,492

* Since the impact of fair value adjustment was not material the same has been accounted for in the current year.

Group's accounting policy relating to financial instruments is explained in note 4.13 of these consolidated financial statements.



4.1.2.3 Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 'incurred loss model' with a forward looking 'expected credit loss' (ECL) model when assessing the impairment of financial assets in the scope of IFRS 9. Cash and bank balances, long term deposits, loan and advances, mark up accrued and other receivables are subject to ECLs model but there is no or immaterial impairment for the current year.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Trade and other receivables are written off when there is no reasonable expectation of recovery.

Loss allowance on loans and advances and markup accrued from associated companies are measured at 12 months expected credit losses and with respect to external credit ratings of the holding company of the associates. As there is no adverse change in credit rating of the Holding Company, no credit loss is expected on these balances.

Loss allowance on bank balances is measured at 12 months expected credit losses. Since they are short term in nature and there is no adverse change in credit rating of the banks where the balances are maintained, therefore no credit loss is expected on these balances.

Impact of ECL

Considering the quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information, no loss allowance has been recorded against trade debts upon transition of IFRS 9 as of 01 July 2018 and Rs. 20.39 million has been recorded during the year 30 June 2019.

4.2 Basis of consolidation

4.2.1 Subsidiary Company

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Holding Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary company has been consolidated on a line-by-line basis and the carrying values of the investment held by the Holding Company has been eliminated against the shareholders' equity in the subsidiary company. The financial statement of the subsidiary are prepared for the same reporting year as of the Holding Company, using consistent accounting policies.



4.2.1.1 Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Holding Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. Since the Subsidiary Company is 100% owned by the Holding Company, no non-controlling interests is accounted for in these consolidated financial statements.

4.2.1.2 Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated profit or loss account. In addition, any amount previously recognized in other comprehensive income in respect of that subsidiary are reclassified to the consolidated profit or loss account. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee, joint venture or as an available for sale financial asset depending on the level of influence retained.

4.2.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated.

4.2.2 Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other factors e.g. Group's representation on the Board of Directors of investee Company, the Group can exercise significant influence. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss, if any.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated statement of profit or loss, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

4.3 Property, plant and equipment

Owned

Freehold land is measured at revalued amount less impairment if any.

Factory building', ' non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.



Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Group, at the rates specified in note 16.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in consolidated statement of profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Group and adjusted if impact on depreciation is significant. The Group's estimate of residual values of property, plant and equipment as at 30 June 2019 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets as stated in note 4.7. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

4.4 Revaluation surplus on property, plant and equipment

Revaluation of items of property, plant and equipment measured at revalued amount 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 arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in consolidated statement of profit or loss, in which case the increase is credited to consolidated statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to consolidated statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Group's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax).



4.5 Lease

Operating lease

Lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the Group's benefit.

4.6 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over the estimated useful life of three years. Amortisation of intangible assets is commenced from the date an asset is capitalized.

4.7 Borrowings cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.8 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in consolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Group has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date



and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Group recognizes deferred tax asset/ liability on deficit/ surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/ surplus.

Further, the Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in consolidated statement of profit or loss, any related tax effects are also recognised in consolidated statement of profit or loss. For transactions and other events recognised outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity, respectively).

4.9 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in consolidated statement of profit or loss.

4.10 Staff retirement benefits

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if, any excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan is recognized in consolidated statement of profit or loss.



When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in consolidated statement of profit or loss. The Group recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

4.11 Provisions

Provisions are recognized when the Group 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. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.12 Contingent liabilities

A contingent liability is disclosed when:

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

4.13 Financial instruments

4.13.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

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

4.13.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL)

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



Amortized cost

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

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, long term deposits, loan and advances, mark up accrued, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss. However, the Group has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to consolidated statement of profit or loss.

Financial assets measured at FVOCI comprise of long term investments in equity securities as detailed in note 17 of these consolidated financial statements.



Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial asset measured at FVTPL comprise of short term investments in equity securities as detailed in note 25 of these consolidated financial statements.

Financial assets – Business model assessment:

For the purposes of the assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, dividend payable and accrued markup.



4.13.3 Derecognition

Financial assets

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

The Group might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in consolidated statement of profit or loss.

4.13.4 Trade debts, deposits and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.13.5 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Group measured its long term advances and related markup to associated companies under the General approach.



When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.13.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.



4.14 Mark - up bearing borrowings

Mark-up bearing borrowings are recognized at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amount (as reduced by periodic payment) and redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings on an effective rate basis.

4.15 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.16 Stock-in-trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

- Raw materials Weighted average cost
- Work-in-process and finished goods Cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit comprises of invoice value plus other charges paid thereon.

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

4.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods, net of returns, allowances, trade discounts, rebates and sales tax. Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or services to a customer, and control either transfers over time or point in time.

4.18 Other Income

Other income comprises dividend income, exchange gain, markup accrued and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.



4.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cash flows comprise cash in hand and cash at banks.

4.20 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. It also includes refund liabilities arising out of customers right to claim amounts from the Group on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.21 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.22 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the 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 consolidated statement of profit or loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.23 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in consolidated statement of changes in equity in the period in which such appropriations are approved.



5 Issued, subscribed and paid-up capital

	2019 ---- (Number of shares) ----	2018	2019 ----- (Rupees) -----	2018
Ordinary shares of Rs. 10 each fully paid in cash	1,000,000	1,000,000	10,000,000	10,000,000
Ordinary shares of Rs. 10 each fully paid as right shares	9,187,200	9,187,200	91,872,000	91,872,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	19,812,800	19,812,800	198,128,000	198,128,000
	30,000,000	30,000,000	300,000,000	300,000,000

5.1 As at the consolidated statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2019 ----- (Number of shares) -----	2018	2019 --- (Percentage of holding) ---	2018
Fazal Holdings (Private) Limited	7,346,541	7,346,541	24.49	24.49
Mr. Rehman Naseem	3,101,320	3,101,320	10.34	10.34
Mr. Fawad Ahmed Mukhtar	2,415,422	2,415,422	8.05	8.05
Mr. Fazal Ahmed Sheikh	2,041,611	2,041,611	6.80	6.80
Mr. Faisal Ahmed Mukhtar	2,039,865	2,039,865	6.80	6.80
Mr. Abdullah Amir Fazal	1,421,639	1,421,639	4.74	4.74
Mr. Muhammad Yousaf Amir	1,421,638	1,421,638	4.74	4.74
Fatima Holding Limited	1,176,847	1,176,847	3.92	3.92
Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh	1,012,970	1,012,970	3.38	3.38
Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh	1,012,969	1,012,969	3.38	3.38
Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Ibrahim Mukhtar S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar	675,895	675,895	2.25	2.25
Mr. Fahad Mukhtar	579,715	579,715	1.93	1.93
Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar	536,207	536,207	1.79	1.79
Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar	536,206	536,206	1.79	1.79
Mr. Amir Naseem Sheikh	82,828	82,828	0.28	0.28
Mr. Sheikh Naseem Ahmad	8,820	8,820	0.03	0.03
Mrs. Mahnaz Amir Sheikh	4,447	4,447	0.01	0.01
Reliance Commodities (Private) Limited	500	500	0.002	0.002



6 Other capital reserves	Note	2019 Rupees	2018 Rupees
<u>Share premium</u>			
Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001		63,360,000	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002		14,256,000	14,256,000
	6.1	77,616,000	77,616,000
Capital redemption reserve	6.2	175,000,000	175,000,000
Fair value reserve	6.3	1,120,927,815	1,272,824,947
		<u>1,373,543,815</u>	<u>1,525,440,947</u>
6.1	This reserve can be utilized by the Holding Company only for the purposes specified in section 81(2) of the Companies Act, 2017.		
6.2	This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.		
6.3	This represents fair value adjustment on investments classified as fair value through OCI and is not available for distribution to the shareholders.		
7 Revaluation surplus on property, plant and equipment			
<u>Gross surplus</u>			
Balance at 01 July		11,374,447,477	7,584,838,234
Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax		-	3,798,265,276
Related deferred tax liability		-	352,893,274
		-	4,151,158,550
Effect of disposal of operating fixed assets during the year - net of deferred tax		(18,200,980)	(17,332,338)
Related deferred tax liability		(4,145,763)	(4,336,118)
		(22,346,743)	(21,668,456)
Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax		(323,514,158)	(271,866,614)
Related deferred tax liability		(73,671,685)	(68,014,237)
		(397,185,843)	(339,880,851)
Balance at 30 June		<u>10,954,914,891</u>	<u>11,374,447,477</u>



	2019	2018
	Rupees	Rupees
<u>Deferred tax liability on revaluation surplus</u>		
Balance at 01 July	1,234,847,929	1,077,365,571
Related deferred tax liability:		
- Revaluation surplus arised during the year on property, plant and equipment - net of deferred tax	-	352,893,274
- Effect of disposal of operating fixed assets during the year - net of deferred tax	(4,145,763)	(4,336,118)
- Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	(73,671,685)	(68,014,237)
	(77,817,448)	280,542,919
Effect of change in tax and proration rate	239,274,603	(123,060,561)
Balance at 30 June	1,396,305,084	1,234,847,929
Revaluation surplus on property, plant and equipment - net of tax	9,558,609,807	10,139,599,548

7.1 Property, plant and equipment of the Group except office equipment, furniture and fittings and vehicles have been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Group and approved by Pakistan Banks' Association 'any amount' category, resulting in recognition of additional surplus of Rs. 4,151 million. Previously, the revaluation of Holding Company was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively. Similarly, the previous revaluation of Subsidiary Company was carried out by Harvest Services (Private) Limited, an independent valuer not connected with the Subsidiary Company and approved by the Pakistan Banks' Association in 'any amount' category, on 30 September 2014 resulting in surplus of Rs. 282 million.

Freehold land

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

Factory and non-factory building

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

Plant and machinery and others fixed assets

Plant and machinery and other fixed assets have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.



8 Long term financing - secured

Long term financing:
- banking companies
- other financial institutions

Current portion of long term financing

Note	2019	2018
	Rupees	Rupees
8.1	9,404,951,181	8,731,905,179
8.2	1,389,165,714	1,287,497,048
	10,794,116,895	10,019,402,227
//	(2,038,830,033)	(1,879,934,008)
	8,755,286,862	8,139,468,219

8.1 Banking companies:

Lender	Rate of mark up per annum		2018	Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018		2019	2018	
Askari Bank Limited						
- Term finance - TF	333,333,334	400,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in ten equal half yearly installments of Rs. 33.33 million each, ending on 19 February 2024.	1st joint pari passu charge/ mortgage of Rs.1,266.50 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
- Term finance - TF	500,000,000	-	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 26 May 2021.		
- Term finance - TF	10,694,707	13,071,309	6 Months KIBOR + 1.00%	Balance principal is payable in nine equal half yearly instalments of Rs. 1.19 million each, under term finance loan, ending on 09 November 2023.	1st joint pari passu charge/ mortgage of Rs. 333.33 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
- Term finance under LTFF Scheme	154,783,662	185,740,390	SBP Rate + 1.00% (fixed rate)	Balance principal is payable in ten equal half yearly instalments of Rs. 15.48 million each, under term finance loan under LTFF scheme, ending on 13 January 2024.		
	998,811,703	598,811,699				
Soneri Bank Limited						
- Term finance - TF	14,963,523	44,945,284	3 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment ending on 11 December 2019.		
- Term finance - TF	35,000,000	105,000,000	3 Months KIBOR + 1.00%	Balance principal is payable in one instalment, ending on 27 August 2019.		
- Term finance - TF	120,000,000	200,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in six equal quarterly instalments of Rs. 20 million each, ending on 13 October 2020.	1st joint pari passu charge/ mortgage of Rs. 1,112 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
- Term finance - TF	-	32,473,454	3 Months KIBOR + 1.10%	Entire amount of term finance transferred to SBP's LTFF scheme during the year.		
- Term finance - TF	492,111,404	-	SBP rate + 1.10%	Balance principal amount is payable in thirty two equal quarterly instalments of Rs. 15.38 million each, beginning on 20 September 2020. Entire amount of loan was obtained and transferred to SBP's LTFF scheme.		
	662,074,927	382,418,738				



Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Faysal Bank Limited					
- Term finance - TF	-	20,000,000	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last instalment of principal amount paid as on 20 July 2018.	1st joint pari passu charge/ mortgage of Rs. 729 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance - TF	-	23,758,651	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last instalment of principal amount paid as on 06 October 2018.	
- Term finance - TF	-	14,802,784	6 Months KIBOR + 1.00%	This facility has been fully repaid during the year, last instalment of principal amount paid as on 02 January 2019.	
- Term finance - TF	20,000,000	60,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment, ending on 07 December 2019.	
	20,000,000	118,561,435			
Habib Bank Limited					
- Demand finance under LTFF Scheme	428,426,984	428,426,984	SBP rate + 0.50% (fixed rate)	Balance principal is payable in sixteen equal half yearly instalments of Rs. 26.78 million each, beginning on 29 September 2019.	1st joint pari passu charge/ mortgage of Rs. 700 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
	428,426,984	428,426,984			
National Bank of Pakistan					
- Demand finance - VII	144,320,113	202,048,157	6 Months KIBOR + 1.25%	Balance principal amount is payable in ten equal quarterly instalments of Rs. 14.43 million each, ending on 03 December 2021.	1st joint pari passu charge/ mortgage of Rs. 1,882 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance - VII under LTFF Scheme	73,448,066	101,427,290	SBP rate + 1.25% (fixed rate)	Balance principal amount is payable in ten equal quarterly instalments of Rs. 7.24 million each, ending on 03 December 2021.	
- Demand finance - IX under LTFF Scheme	63,424,160	-	SBP rate + 0.60% (fixed rate)	This demand finance was obtained and transferred to SBP's LTFF scheme. This loan is payable in thirty six equal quarterly instalments of principal amount of Rs. 1.76 million each, beginning on 08 July 2020.	
- Demand finance - IX	53,388,920	-	6 Months KIBOR + 1.00%	This demand finance was obtained during the year. Principal amount is payable in thirty six equal quarterly instalments of principal amount of Rs. 1.48 million each, beginning on 08 July 2020.	
	333,581,259	303,475,447			



Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
United Bank Limited					
- Demand finance	20,000,000	60,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in one instalment, ending on 03 September 2019.	1st joint pari passu charge/ mortgage of Rs. 1,814 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand finance - II under LTFF Scheme	808,065,453	923,503,367	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly instalments of Rs. 57.72 million each, ending on 30 June 2026.	
- Demand finance - III	262,500,000	300,000,000	6 Months KIBOR + 1.10%	Balance principal amount is payable in seven equal half yearly instalments of Rs. 37.50 million each, ending on 30 November 2022.	
- Term loan	2,725,804	3,634,404	6 Months KIBOR + 1.00%	Balance principal is payable in six equal half yearly instalments of Rs. 0.45 million each, under term loan, ending on 04 June 2022.	1st joint pari passu charge of Rs. 266.67 million over the fixed assets of the Subsidiary Company, personal guarantees of the key directors and corporate guarantee of the Holding Company.
- Term loan under LTFF Scheme	108,383,090	139,349,682	SBP rate + 1.00% (fixed rate)	Balance principal is payable in seven equal half yearly instalments of Rs. 15.48 million each, under term finance loan under LTFF, ending on 04 June 2022.	
	1,201,674,347	1,426,487,453			
MCB Bank Limited					
- Term finance	240,000,000	400,000,000	3 Months KIBOR + 0.60%	Balance principal amount is payable in three equal half yearly instalments of Rs. 80 million each, ending on 31 October 2020.	1st joint pari passu charge/ mortgage of Rs. 820 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand finance	-	46,587,716	6 Months KIBOR + 0.70%	This facility has been fully repaid during the year, last installment of principal amount paid as on 28 November 2018.	
- Demand finance	274,999,500	366,666,000	6 Months KIBOR + 1.25%	Balance principal is payable in six equal half yearly instalments of Rs. 45.83 million each, under demand finance, ending on 29 December 2021.	1st joint pari passu charge/ mortgage of Rs. 800 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
	514,999,500	813,253,716			



Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Allied Bank Limited					
- Term loan - IV	-	62,175,975	6 Months KIBOR + 0.90%	This facility has been fully repaid during the year, last instalment of principal amount paid as on 08 December 2018.	
- Term loan - V	72,810,396	109,215,594	6 Months KIBOR + 0.90%	Balance principal amount is payable in four equal half yearly instalments of Rs. 18.20 million each, ending on 26 February 2021.	
- Term loan - VI	208,333,331	291,666,665	6 Months KIBOR + 0.90%	Balance principal amount is payable in five equal half yearly instalments of Rs. 41.67 million each, ending on 06 August 2021.	
- Term loan - VII	442,627,983	442,627,983	6 Months KIBOR + 0.65%	Balance principal amount is payable in sixteen equal half yearly instalments of Rs. 27.67 million each, beginning on 02 September 2019.	
- Term loan - VI under LTFF Scheme	355,040,698	355,040,698	SBP Rate + 0.50% (fixed rate)	Balance principal is payable in sixteen equal half yearly instalments of Rs. 22.19 million each, beginning on 02 March 2020.	1st joint pari passu charge/ mortgage of Rs. 2,787 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Term loan - VIII	-	16,269,083	6 Months KIBOR + 0.50%	Entire amount has been transferred to SBP's LTFF scheme.	
- Term loan - VIII under SBP's LTFF scheme	689,994,325	-	SBP rate + 0.50%	Balance principal amount is payable in sixteen equal half yearly instalments of Rs. 43.12 million each, beginning on 04 January 2021.	
- Term loan - IX	32,644,463	-	6 Months KIBOR + 0.75%	Principal amount is payable in sixteen equal half yearly instalments of Rs. 2.04 million each, beginning on 04 September 2021.	
- Term finance - I	291,666,669	408,333,335	6 Months KIBOR + 1.05%	Balance principal is payable in five equal half yearly instalments of Rs. 58.33 million each, ending on 08 October 2021.	
- Term finance - II	125,000,000	150,000,000	6 Months KIBOR + 1.25%	Balance principal is payable in ten equal half yearly instalments of Rs. 12.50 million each, under term finance loan - II and term finance loan - II under LTFF scheme, ending on 12 October 2023.	
- Term finance - II under LTFF Scheme	125,000,000	150,000,000	SBP Rate + 1.25% (fixed rate)		
- Term finance - III	-	21,351,380	6 Months KIBOR + 1.00%	During year entire amount of term finance has been transferred to SBP's LTFF.	
- Term finance - III under LTFF Scheme	50,000,000	28,648,620	SBP Rate + 1.00% (fixed rate)	Sixteen equal half yearly instalments of principal amount beginning on 11 June 2020.	
	2,393,117,865	2,035,329,333			



Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit		Security
	2019	2018				
The Bank of Khyber						
- Term finance	104,600,444	174,334,076	6 Months KIBOR + 0.75%	Balance principal amount is payable in three equal half yearly installments of Rs. 34.87 million each, ending on 25 July 2020.	1st joint pari passu charge/ mortgage of Rs. 856 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
- Demand finance - II	112,500,000	187,500,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in three equal half yearly installments of Rs. 37.50 million each, ending on 13 October 2020.		
- Demand Finance under LTFF scheme	350,000,000	-	SBP rate + 0.60%	Principal amount is payable in ten equal half yearly installments of Rs. 35 million, beginning on 27 February 2021.		
	567,100,444	361,834,076				
The Bank of Punjab						
- Term finance	104,000,887	145,601,241	6 Months KIBOR + 0.85%	Balance principal amount is payable in five equal half yearly installments of Rs. 20,80 million each, ending on 29 September 2021.	1st joint pari passu charge/ mortgage of Rs. 2,320 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
- Term finance under LTFF Scheme	500,000,000	500,000,000	SBP rate + 0.50%	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 31.25 million, beginning on 17 July 2019.		
- Term finance	600,000,000	600,000,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in twelve equal half yearly installments of Rs. 50 million each, beginning on 25 April 2020.		
- Term finance	-	238,631,609	6 Months KIBOR + 0.75%	Entire amount of term finance transferred to SBP's LTFF scheme during the year.		
- Term finance under LTFF Scheme	499,913,265	85,323,448	SBP rate + 0.75% (fixed rate)	Balance principal amount is payable in sixteen equal half yearly installments of Rs. 31.24 million each, beginning on 15 June 2020.		
	1,703,914,152	1,569,556,298				
Standard Chartered Bank (Pakistan) Ltd						
- Term finance	281,250,000	393,750,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in five equal half yearly installments of Rs. 56.25 million each, ending on 06 October 2021.	1st joint pari passu charge/ mortgage of Rs. 952 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
JS Bank Limited						
- Term finance	300,000,000	300,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in eight equal half yearly installments of Rs. 37.50 million each, beginning on 24 July 2019.	1st joint pari passu charge/ mortgage of Rs. 400 million on all present and future plant & machinery of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.	
	9,404,951,181	8,731,905,179				



8.2 Other financial institutions:

Lender	Rupees		Rate of mark up per annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Pak Brunei Investment Company Limited					
- Term finance	16,665,714	49,997,048	3 Months KIBOR + 0.80%	Balance principal is payable in one equal half yearly instalments of Rs. 16.67 million each, ending on 02 November 2019.	1st joint pari passu charge/ mortgage of Rs. 673 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance	187,500,000	250,000,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in six equal half yearly instalments of Rs. 31.25 million each, ending on 23 January 2022.	
	204,165,714	299,997,048			
Pak Oman Investment Company Limited					
- Term finance	87,500,000	137,500,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in seven equal quarterly instalments of Rs. 12.50 million each, ending on 25 March 2021.	
- Term finance	297,500,000	350,000,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in seventeen equal quarterly instalments of Rs. 17.50 million each, ending on 23 September 2023.	1st joint pari passu charge/ mortgage of Rs. 1,265 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance	500,000,000	500,000,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in twenty equal quarterly instalments of Rs. 25 million each, beginning on 24 April 2020.	
	885,000,000	987,500,000			
Saudi Pak Industrial & Agricultural Investment Co. Ltd					
- Term finance	300,000,000	-	6 Months KIBOR + 2.25%	Principal amount is payable in twelve equal half yearly instalments of Rs. 25 million each, beginning on 23 July 2021.	Ranking charge over plant & machinery amounting to Rs. 400 million. It will be upgraded to 1st joint pari passu charge/ mortgage on all present and future fixed assets of the Holding Company with deferral time period.
	1,389,165,714	1,287,497,048			

8.3 The Company has un-availed long term facilities amounting to Rs. Nil (2018: Rs. 240.63 million).

8.4 As per the financing document, the Group is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Group is required to comply with certain conditions imposed by the providers of finance to make dividend payment.



Note

2019 Rupees

2018 Rupees

9.1 2,169,056,619 1,389,679,269
 (478,955,983) (320,622,650)
 1,690,100,636 1,069,056,619

9 Long term musharika - secured

Islamic mode of financing

Long term musharika - banking companies
 Less: Current portion of long term musharika

9.1 Banking companies:

Lender	Rupees		Rate of profit per Annum	Tenure, basis of principal repayment and sanctioned limit	Security
	2019	2018			
Meezan Bank Limited					
- Diminishing musharika - III	30,000,000	60,000,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in two equal half yearly instalments of Rs. 15 million each, ending on 20 January 2020.	Exclusive charge of Rs. 200 million over machinery imported through Meezan Bank Ltd and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing musharika	500,000,000	-	6 Months KIBOR + 1.25%	Balance principal amount is payable in eight equal half yearly instalments of Rs. 62.50 million each, beginning on 28 May 2021.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing musharika	7,806,619	10,929,269	6 Months KIBOR + 1.00%	Balance principal is payable in five equal half yearly instalments of Rs. 1.56 million each, under Diminishing musharika scheme, ending on 30 October 2021.	1st joint pari passu charge/ mortgage of Rs. 93.33 million on all present and future fixed assets of the Holding Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
	537,806,619	70,929,269			
Dubai Islamic Bank Pakistan Limited					
- Diminishing musharika	250,000,000	350,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in five equal half yearly instalments of Rs. 50 million each, ending on 09 October 2021.	1st joint pari passu charge/ mortgage of Rs. 1,537 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing musharika	600,000,000	-	6 Months KIBOR + 2.00%	Principal amount is payable in eight equal half yearly instalments of Rs. 75 million each, beginning on 02 April 2020.	
	850,000,000	350,000,000			
Standard Chartered Bank (Pakistan) Limited					
- Diminishing musharika	281,250,000	468,750,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in three equal half yearly instalments of Rs. 93.75 million each, ending on 27 August 2020.	1st joint pari passu charge/ mortgage of Rs. 952 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
Faysal Bank Limited					
- Diminishing musharika	500,000,000	500,000,000	3 Months KIBOR + 0.75%	Balance principal amount is payable in six equal half yearly instalments of Rs. 83.33 beginning on 06 June 2020.	1st joint pari passu charge/ mortgage of Rs. 729 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company
	2,169,056,619	1,389,679,269			



10	Deferred liabilities	Note	2019 Rupees	2018 Rupees
	Staff retirement benefit - Gratuity	10.1	273,812,115	268,709,476
	Deferred taxation	10.2	<u>3,039,211,159</u>	<u>2,201,316,664</u>
			<u><u>3,313,023,274</u></u>	<u><u>2,470,026,140</u></u>
10.1	Staff retirement benefit - Gratuity			
	The latest actuarial valuation of the Group's defined benefit plan, was conducted at 30 June 2019 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:			
10.1.1	The amounts recognized in the 'Consolidated statement of financial position' is as follows:	Note	2019 Rupees	2018 Rupees
	Present value of defined benefit obligation liability at 30 June	10.1.2	<u>273,812,115</u>	<u>268,709,476</u>
10.1.2	Movement in the liability for defined benefit obligation recognized in the 'Consolidated statement of financial position' is as follows:			
	Liability for defined benefit obligation at 01 July		268,709,476	214,614,337
	Current service cost	10.1.3	123,995,888	115,515,502
	Interest cost on defined benefit obligation	10.1.3	19,185,697	13,238,199
	Actuarial loss charged to 'Other Comprehensive Income'	10.1.5	(29,760,268)	12,939,178
	Benefits paid during the year		<u>(108,318,678)</u>	<u>(87,597,740)</u>
	Liability for defined benefit obligation at 30 June		<u><u>273,812,115</u></u>	<u><u>268,709,476</u></u>
10.1.3	The amounts recognized in the 'Consolidated statement of profit or loss' against defined benefit plan are as follows:			
	Current service cost		123,995,888	115,515,502
	Interest cost		<u>19,185,697</u>	<u>13,238,199</u>
			<u><u>143,181,585</u></u>	<u><u>128,753,701</u></u>
10.1.4	Charge to 'Consolidated statement of profit or loss' against defined benefit plan has been allocated as under			
	Cost of sales		127,516,200	113,608,549
	Selling and distribution expense		2,089,236	858,000
	Administrative expense		<u>13,576,149</u>	<u>14,287,152</u>
			<u><u>143,181,585</u></u>	<u><u>128,753,701</u></u>
10.1.5	Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:			
	<i>Remeasurement loss defined benefit obligation due to:</i>			
	- changes in demographic assumptions		4,190,342	-
	- changes in financial assumptions		5,009,716	1,232,073
	- change in experience adjustment		<u>(38,960,326)</u>	<u>11,707,105</u>
			<u><u>(29,760,268)</u></u>	<u><u>12,939,178</u></u>
10.1.6	Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :			
	The following are the principal actuarial assumptions at consolidated statement of financial position date:			
			2019	2018
	Discount rate used for interest cost		7.75% to 9%	7.75% per annum
	Discount rate used for year end obligation		14.25% per annum	9.00% per annum
	Expected rate of growth per annum in future salaries		13.25% per annum	8.00% per annum
	Mortality rates		SLIC (2001 - 05) Setback 1 Year	SLIC (2001 - 05) Setback 1 Year
	Retirement assumption		Age 60	Age 60

10.1.7 Weighted average duration of defined benefit obligation is five years, whereas, maturity profile of the defined benefit obligation with regards to time distribution of benefit payments for first year, second year, third year, fourth year, fifth year and more than fifth year are Rs 88.47 million, Rs 79.24 million, Rs 71.57 million, Rs 70.35 million, Rs 68.87 million and Rs 6,637.68 million, respectively.

10.1.8 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions

Reasonably possible changes at the consolidated statement of financial position date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2019		2018	
	Change in assumption	Impact on defined benefit obligation	Change in assumption	Impact on defined benefit obligation
Discount rate	1.00%	260,462,813	1.00%	252,853,747
Salary growth rate	1.00%	289,834,741	1.00%	287,888,534
		288,945,977		287,033,843
		259,401,010		251,761,635
	Percentage-----	Rupees-----	Percentage-----	Rupees-----

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

10.1.9 The Group expects to charge Rs. 128.27 million against current service cost and Rs. 32.71 million against net interest cost, aggregating to Rs. 160.98 million, to 'Consolidated statement of profit or loss' in respect of defined benefit plan in 2020.



		2018		(Reversal from)/ charge to		
		Effect of change in tax rate and proration rate		Equity		Balance at 30 June
Balance at 01 July	'Consolidated statement of profit or loss'	'Consolidated statement of profit or loss'	'Consolidated statement of profit or loss'	'Consolidated other comprehensive income'		
----- Rupees -----						
	1,077,365,571	(123,060,561)	-	(72,350,355)	352,893,274	1,234,847,929
	1,322,743,315	-	(209,113,233)	89,120,146	-	1,202,750,228
	2,400,108,886	(123,060,561)	(209,113,233)	16,769,791	352,893,274	2,437,598,157
<i>Taxable temporary differences arising in respect of:</i>						
Revaluation surplus on property, plant and equipment						
Tax depreciation allowance						
	(38,235,346)	-	38,235,346	-	-	-
	(304,470,197)	-	71,327,071	-	-	(233,143,126)
	(686,690)	3,979	(2,455,656)	-	-	(3,138,367)
	(343,392,233)	3,979	107,106,761	-	-	(236,281,493)
	2,056,716,653	(123,056,582)	(102,006,472)	16,769,791	352,893,274	2,201,316,664
<i>Deductible temporary difference arising in respect of:</i>						
Provision for gratuity						
Minimum tax carried forward						
Provisions and others						
Deferred tax liability - net						



11 Current portion of non-current liabilities	<i>Note</i>	2019 Rupees	2018 Rupees
<i>Markup bearing finances from conventional banks:</i>			
Long term financing - secured	8	2,038,830,033	1,879,934,008
<i>Islamic mode of financing :</i>			
Long term musharika - secured	9	478,955,983	320,622,650
		<u>2,517,786,016</u>	<u>2,200,556,658</u>
12 Trade and other payables			
Trade creditors		740,705,618	293,169,108
Accrued liabilities		1,361,663,397	1,454,931,029
Contract liabilities		74,909,433	-
Advance from customers		-	49,542,241
Due to associated undertakings	12.1	21,011,764	91,042,619
Bills payable		803,409,065	510,704,292
Tax deducted at source		2,292,813	8,841,049
Infrastructure cess	12.2	446,925,590	350,070,176
Workers' profit participation fund	12.3	133,481,782	85,835,266
Workers' welfare fund	12.4	36,822,050	14,449,516
Loan from Director	12.5	299,693	299,693
Sales tax payable	12.6	164,765,348	68,097,919
Payable to employees		-	452,722
		<u>3,786,286,553</u>	<u>2,927,435,630</u>
12.1 Due to associated undertakings			
Ahmed Fine Textile Mills Limited		-	67,438,934
Hussain Gineries Limited		12,000,970	12,313,865
Fatima Energy Limited		757,694	6,537,521
Fatima Fertilizer Company Limited		6,180,175	4,706,963
Fazal Farm (Private) Limited		1,818,639	-
Fazal-ur-Rehman Foundation		213,785	-
Fatima Sugar Mills Limited		-	4,835
Pakarab Fertilizer Limited		40,501	40,501
		<u>21,011,764</u>	<u>91,042,619</u>

12.1.1 These are in the normal course of business for goods and services.

12.2 This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Group has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Group, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these consolidated financial statement.



12.3 Workers' profit participation fund	<i>Note</i>	2019 Rupees	2018 Rupees
Balance as at 01 July		85,835,266	32,196,742
Provision for the year	32	133,481,782	85,835,267
Interest on funds utilized by the Group		11,596,314	1,510,382
		230,913,362	119,542,391
Payment made during the year		(97,335,095)	(33,682,825)
Deposited in 'Government Treasury'		(96,485)	(24,300)
Balance as at 30 June		133,481,782	85,835,266

12.4 Workers' welfare fund

Balance as at 01 July		14,449,516	-
Allocation for the year	32	22,372,534	14,449,516
Balance as at 30 June		36,822,050	14,449,516

12.5 This represents interest free loan from a director of the Subsidiary Company. The loan is unsecured and repayable on demand.

12.6 As detailed in note 28.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Group is charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Group has challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC has issued an interim stay in favor of the Group, whereby the Group is not required to make the payment of the amount till finalization of the matter. The writ petition is pending adjudication. Accordingly, an amount of Rs. 164.77 (2018: 68.09 million) stands payable as at year end.

13 Short term borrowings - secured

Banking companies	Nominal interest rate %	2019 Rupees	2018 Rupees
<u>Mark-up based borrowings from conventional banks</u>			
Cash finance	7.23 - 13.80	1,587,890,432	182,295,868
Running finance	7.12 - 14.30	1,526,357,539	934,217,137
Finance against imported merchandise	3.25 - 13.55	2,017,206,834	2,557,401,003
Money market loan	6.36 - 13.22	5,035,877,515	6,117,000,191
<u>Islamic mode of financing</u>			
Running musharika	7.07 - 13.05	1,078,756,110	492,324,327
Karobar finance/ Import murabaha/ Musawammah	6.49 - 13.33	1,053,812,938	445,318,086
		12,299,901,368	10,728,556,612

13.1 The Group has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up/ profit arrangements having aggregate sanctioned limits of Rs. 29,542 million (2018: Rs. 26,168 million). These facilities are secured against different securities including pledge of stock -in- trade, hypothecation on stocks, stores and spares, charge on current assets, lien on



debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 7,220 million. Short term borrowing facilities which remained unutilized at year end are Rs. 15,529 million (2018: Rs. 13,829 million). These facilities are expiring on various dates by 20 April 2020.

14 Accrued mark-up	2019	2018
	Rupees	Rupees
<i>Mark-up based loans from conventional bank:</i>		
Long term financing - <i>secured</i>	206,614,165	164,689,290
Short term borrowings - <i>secured</i>	187,396,578	110,834,939
	394,010,743	275,524,229
<i>Islamic mode of financing:</i>		
Long term musharika - <i>secured</i>	50,004,744	36,310,224
Short term borrowings - <i>secured</i>	37,240,470	11,045,786
	87,245,214	47,356,010
	481,255,957	322,880,239

15 Contingencies and commitments

15.1 Contingencies

The Holding Company

- 15.1.1** The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 36.38 million and Rs. 49.78 million against the Holding Company through separate orders, dated 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2015 and 2016 respectively. The Holding Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.
- 15.1.2** The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Holding Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Holding Company has agitated the order in appeal before CIR - A, which is pending adjudication.
- 15.1.3** Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million (other than disclosed below separately), the Holding Company has been extended significant relief by the CIR - A. The issues in respect of which CIR - A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue and such appeals is pending adjudication.
- 15.1.4** The officials of LTU - Lahore, while giving effect to findings of CIR - A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/ increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR - A which are pending adjudication.



- 15.1.5** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2012 involving a sum of Rs. 209 million. The first appellate authority has maintained departmental stance, the Holding Company's appeals are lying with Appellate Tribunal Inland Revenue.
- 15.1.6** The Assistant Commissioner Inland Revenue, as a result of sales tax audit for tax year 2014 raised a sales tax demand of Rs. 71.60 million through order dated 31 July 2017. The Holding Company filed an appeal before CIR - A which was disposed off through appellate order dated 06 March 2019 passed under section 45B of the sales Tax Act ('Act') whereby such order was annulled, and the matter was remanded back to department for denovo consideration which is pending adjudication.
- 15.1.7** Proceedings were initiated by officials of LTU - Lahore through orders dated 29 December 2018 under section 122(5A) of the Ordinance regarding admissibility of WPPF provision amounting to Rs. 16.12 million, Rs. 10.71 million and Rs. 12.50 million for tax year 2015, 2016 and 2017 respectively. The Holding Company filed an appeal before CIR - A which is pending for adjudication.
- 15.1.8** Through order dated 28 June 2019 under section 132/162/205 of the Ordinance, the LTU - Lahore officials raised income tax demand of Rs. 10.11 million for tax year 2009 on the grounds that tax under section 148 at import stage was short paid. The Holding Company has filed an appeal before CIR(A) against the said order which is pending for adjudication.
- 15.1.9** The officials of LTU - Lahore initiated proceedings for amendment under section 122(5A) and 161/2015 of the Ordinance through notice dated 16 November 2018 and 14 May 2019 respectively for tax year 2013. The Holding Company submitted its response through its legal council and is unable to determine the outcome of these cases.

The Subsidiary Company

- 15.1.10** The Commissioner Inland Revenue ('CIR') through order, dated 28 December 2017, rejected admissibility of input tax aggregating to Rs 7.27 million, primarily on account of mismatch of buyer/ seller declarations and building materials, subsequent to audit of tax period July - 2013 to June - 2014. The Subsidiary Company has agitated such order in appeal before the Commissioner Inland Revenue - Appeals ('CIR-A'), which is pending adjudication.
- 15.1.11** The Commissioner Inland Revenue (Appeals) through its order dated 14 April 2016 has maintained departmental rejection of input tax of Rs 18.10 million (primarily comprising out of building materials) in terms of provisions contained in SRO 450(I)/2013. The Subsidiary Company has agitated such order in appeal before Appellate Tribunal Inland Revenue which is pending adjudication.

Based on the opinion of the Group's legal counsel the management is confident of favourable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the consolidated financial statements.

15.2 Commitments

- 15.2.1** Export documents negotiated with banks under Foreign bill purchase facility are USD 4.35 million (Holding Company: USD 1.48 million and Subsidiary Company: USD 2.87 million)
- 15.2.2** Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Group, to various institutions and corporate bodies.



	<i>Note</i>	2019 Rupees	2018 Rupees
- The Holding Company		829,918,200	700,113,115
- The Subsidiary Company		78,347,615	87,853,000
15.2.3 Commitments against irrevocable letters of credit:			
<u>The Holding Company</u>			
- capital expenditure		1,156,882,636	1,458,875,182
- raw material and stores and spares		672,052,805	1,010,522,465
- others	15.2.5	-	600,000,000
		1,828,935,441	3,069,397,647
<u>The Subsidiary Company</u>			
- raw material and stores and spares		132,683,692	4,688,045
15.2.4 Minimum lease payment in respect of land and ginning unit under operating lease ending on 30 June 2031 and 30 June 2021, respectively, is as under :			
		2019 Rupees	2018 Rupees
- not later than one year		8,510,000	7,850,000
- 1 to 5 years		50,005,329	45,573,026
- later than 5 years		122,019,562	134,961,869
15.2.5 This represents 'Stand by Letters of Credit' ('SBLC') issued by Dubai Islamic Bank Pakistan Limited on behalf of the Holding Company favoring the lenders of Fatima Energy Limited ("FEL"), an associated company, to make payment of the committed amount of equity in case of non payment by FEL with in a period of six months from the date of lending. During the year, the SBLC is withdrawn by the Holding Company on 27 September 2018.			



Operating fixed assets

	Cost/ revalued amount				Rate %	Accumulated depreciation				Net book value
	Balance as at 01 July 2017	Revaluation surplus	Additions	Disposals		Balance as at 30 June 2018	Revaluation surplus	For the year	Disposals	
	Rupees					Rupees				
<i>Freehold land</i>										
- cost	468,681,716	-	2,467,750	-	471,149,466	-	-	-	-	471,149,466
- revaluation surplus	1,536,028,392	1,891,069,892	-	-	3,427,098,284	-	-	-	-	3,427,098,284
	2,004,710,108	1,891,069,892	2,467,750	-	3,898,247,750	-	-	-	-	3,898,247,750
<i>Factory building on free hold land</i>										
- cost	1,796,007,136	-	282,888,821	-	2,078,895,957	-	70,576,658	-	564,310,561	1,514,685,396
- revaluation surplus	2,489,837,102	837,458,791	-	-	3,327,295,893	262,119,666	87,231,040	-	1,286,346,727	2,040,949,166
	4,285,844,238	837,458,791	282,888,821	-	5,406,291,850	262,119,666	157,807,698	-	1,850,657,288	3,555,634,562
<i>Non-factory building on free hold land</i>										
- cost	747,624,114	-	96,166,967	-	843,791,081	-	30,080,378	-	204,700,403	639,090,678
- revaluation surplus	2,746,437,290	268,629,572	-	-	3,015,066,862	51,364,523	97,432,257	-	1,019,010,646	1,996,056,216
	3,494,061,404	268,629,572	96,166,967	-	3,858,857,943	51,364,523	127,512,635	-	1,223,711,049	2,635,146,894
<i>Non-factory building on lease hold land</i>										
- cost	-	-	81,960,081	-	81,960,081	-	71,171,507	-	7,171,507	74,788,574
- revaluation surplus	-	-	-	-	-	-	-	-	-	-
	-	-	81,960,081	-	81,960,081	-	71,171,507	-	7,171,507	74,788,574
<i>Plant and machinery</i>										
- cost	13,817,936,752	-	1,188,734,361	-	14,916,671,113	-	523,139,399	(71,659,363)	4,339,767,552	10,576,903,760
- revaluation surplus	3,742,310,994	1,480,317,014	-	(33,944,478)	5,188,683,530	507,901,458	125,280,732	(14,649,143)	2,174,927,222	3,013,756,308
	17,560,247,746	1,480,317,014	1,188,734,361	(24,050,853)	20,105,248,268	507,901,458	648,420,131	(86,308,506)	6,514,694,774	13,590,553,494
<i>Electric fittings and installations</i>										
- cost	719,556,611	-	9,465,141	(685,964)	723,335,788	-	26,887,413	(396,521)	211,990,784	516,345,004
- revaluation surplus	528,945,098	648,880,478	-	-	1,177,825,576	226,388,493	23,722,067	-	445,343,728	732,481,848
	1,248,501,709	648,880,478	9,465,141	(685,964)	1,906,161,364	226,388,493	50,609,480	(396,521)	677,334,512	1,248,826,852
<i>Sut gas installations</i>										
- cost	14,020,862	-	-	-	14,020,862	-	348,364	-	7,401,945	6,618,917
- revaluation surplus	8,478,502	5,134,356	-	-	13,612,858	2,677,723	249,404	-	7,236,431	6,376,427
	22,499,364	5,134,356	-	-	27,633,720	2,677,723	597,768	-	14,638,376	12,995,344
<i>Tools, laboratory equipment and arms</i>										
- cost	73,716,833	-	45,936,272	(10,571,431)	109,081,674	-	3,254,483	(7,980,267)	23,654,287	85,447,387
- revaluation surplus	171,318,343	116,270,167	-	(4,004,643)	283,583,867	52,267,709	4,928,546	(1,631,522)	149,642,510	133,941,357
	245,035,176	116,270,167	45,936,272	(14,576,074)	392,665,541	52,267,709	8,183,029	(9,611,789)	173,276,797	219,388,744
<i>Fire extinguishing equipment and scales</i>										
- cost	14,687,810	-	-	-	14,687,810	-	402,982	-	7,073,861	7,615,949
- revaluation surplus	34,925,690	11,315,820	-	-	46,241,510	5,197,968	1,036,805	-	22,455,639	23,787,871
	49,613,500	11,315,820	-	-	60,929,320	5,197,968	1,439,787	-	29,527,500	31,401,820
<i>Office equipments</i>	46,522,484	-	6,572,629	(1,866,072)	51,229,041	-	2,821,044	(807,991)	22,009,727	29,219,314
<i>Furniture and fittings</i>	25,956,239	-	1,385,165	-	27,341,404	-	1,575,812	-	12,775,160	14,566,244
<i>Vehicles</i>	185,340,451	-	14,509,460	(3,753,720)	196,096,191	-	152,600,808	(2,836,884)	124,685,505	71,410,686
2018	29,169,332,419	5,259,076,090	1,730,186,647	(144,932,683)	36,012,662,473	1,107,917,540	1,021,399,699	(99,981,691)	10,620,482,195	25,382,180,278



	Note	2019 Rupees	2018 Rupees
16.1.1 Depreciation for the year has been allocated as under:			
Cost of sales	29	1,126,945,247	996,955,269
Administrative expense	31	31,771,948	24,444,430
		1,158,717,195	1,021,399,699

16.1.2 Additions in operating fixed assets represents transfer from capital work-in-progress.

16.1.3 All assets of the Group as at 30 June 2019 are located in Pakistan.

16.1.4 The latest valuation of of Group's assets was carried out on 28 February 2018. The category wise gross revalued amounts along with forced sale values, as at that date, are given below:

	Gross revalued amount	Forced sales value
	----- Rupees -----	
Freehold land	3,895,000,000	3,115,995,482
Factory building on free hold land	3,412,299,132	2,729,763,049
Non-factory building on free hold land	2,585,200,868	2,068,117,076
Plant and machinery	13,425,150,000	10,739,782,745
Electric fittings and installations	1,266,700,000	1,013,343,865
Sui gas installations	13,221,897	10,578,000
Tools, laboratory equipment and arms	223,285,495	178,626,044
Fire fighting and weighing scales	31,992,608	25,593,739
	24,852,850,000	19,881,800,000

16.1.5 Particulars of immovable fixed assets (i.e. land and building) in the name of the Group are as follows:

Particulars	Location	Total Area
Free hold land (Manufacturing Unit)	Jhang Road, Muzaffargarh	588 kanal and 11.5 marlas
Free hold land (Residential Colony)	Jhang Road, Muzaffargarh	107 kanal and 15 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	588 kanal and 9.6 marlas
Free hold land (Residential Colony)	Qadirpur Rawan bypass Khanewal Road, Multan	92 kanal and 8 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	167 kanal and 04 marlas
Free hold land (Administrative Storage Unit)	Sarwar Road, Multan	15 marlas
Free hold land	Bahawalpur Road, Multan	7 kanal and 9 marlas

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under operating lease, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.



16.2 The following assets were disposed of during the year

	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds/ Insurance claim	Gain/ (loss)	Mode of disposal	Particulars of purchaser	Relationship
----- Rupees -----								
Plant and machinery								
Ring Frames EJM-128	1,458,660	910,597	548,063	277,500	(270,563)	Negotiation	Mr. Khalid Pervaiz	Third party
Ring Frames EJM-128	1,458,660	910,596	548,064	277,500	(270,564)	Negotiation	Mr. Khalid Pervaiz	Third party
Ring Frames	19,003,152	10,497,731	8,505,421	2,020,000	(6,485,421)	Negotiation	Mr. Mansoor Hussain	Third party
Ring Frames	12,668,768	6,998,487	5,670,281	1,450,000	(4,220,281)	Negotiation	Mr. Ahsan	Third party
Spinning Unit Toyoda Ry-4	27,801,560	21,016,675	6,784,885	1,636,000	(5,148,885)	Negotiation	Mr. Ahsan	Third party
Spinning Unit Toyoda Ry-4	9,267,187	7,005,559	2,261,628	512,000	(1,749,628)	Negotiation	Mr. Khurram Hamif	Third party
Spinning Unit Toyoda Ry-4	9,267,186	7,015,183	2,252,003	494,000	(1,758,003)	Negotiation	Mr. Amnas Bilal	Third party
Spinning Unit Toyoda Ry-4	9,267,186	7,015,183	2,252,003	494,000	(1,758,003)	Negotiation	Mr. Amnas Bilal	Third party
Autocone Murata 7 II	852,000	135,972	716,028	380,000	(336,028)	Negotiation	Mr. Khalid Pervaiz	Third party
Savio Automatic Cone Winder	26,104,357	9,952,010	16,152,347	3,750,000	(12,402,347)	Negotiation	Ahmad Fine Textile Mills	Associate
Fly Frames Fa 415-A	4,089,707	2,312,866	1,776,841	375,000	(1,401,841)	Negotiation	Ahmad Fine Textile Mills	Associate
Diesel Generator Set (Catterpillar)	4,625,449	3,540,217	1,085,232	1,250,000	164,768	Negotiation	Fazal Rehman Fabrics Ltd	Associate
	125,863,872	77,311,076	48,552,796	12,916,000	(35,636,796)			
Vehicles								
Honda Civic MN-13-5999	2,505,788	1,829,041	676,747	750,000	73,253	Negotiation	Mr. Syed Burhan Gilani	Third party
Honda Civic MN-13-1265	2,208,675	1,686,361	522,314	600,000	77,686	Negotiation	Mr. Faiz Atta S/O Atta Muhammad	Third party
Various assets having net book value upto Rs. 500,000 each	8,076,782	6,771,373	1,305,409	1,808,000	502,591			
	12,791,245	10,286,775	2,504,470	3,158,000	653,530			
Office equipments								
Various assets having net book value upto Rs. 500,000 each	859,550	405,735	453,815	627,280	173,465			
Electric Fitting & Installation								
Various assets having net book value upto Rs. 500,000 each	1,410,459	418,729	991,730	1,299,851	308,121			
	140,925,126	88,422,315	52,502,811	18,001,131	(34,501,680)			
2019	144,932,683	99,981,691	44,950,992	34,561,949	(10,389,043)			
2018								



	Note	2019 Rupees	2018 Rupees
16.3 Capital work-in-progress - cost			
Balance as at 01 July		323,351,874	415,546,806
Additions during the year		2,734,976,051	1,637,991,715
Transfers during the year	16.1	(2,573,030,564)	(1,730,186,647)
Balance as at 30 July	16.3.1	<u>485,297,361</u>	<u>323,351,874</u>
16.3.1 Breakup of capital work-in-progress:			
<i>Factory building on free hold land</i>			
Material and expenses		106,641,634	77,655,965
Advance payments		34,211,429	41,702,783
		140,853,063	119,358,748
<i>Non-factory building on free hold land</i>			
Material and expenses		42,151,611	21,495,943
<i>Plant and machinery</i>			
Cost and expenses		3,511,850	15,162,668
Advance payments		14,066,590	12,137,783
Letters of credit		257,521,850	142,155,361
		275,100,290	169,455,812
<i>Tools, laboratory equipment and arms</i>			
Cost and expenses		385,600	-
Electric fittings and Installations - Advance payments		20,108,438	7,287,730
Office equipment - Advance payments		1,458,975	-
Vehicles - Advance payments		5,239,384	4,017,285
Intangible - Cost and expenses		-	1,736,356
		<u>485,297,361</u>	<u>323,351,874</u>
17 Long term investments			
<i>At fair value through OCI</i>			
Fatima Fertilizer Company Limited - quoted	17.1	1,880,371,825	2,041,006,604
Multan Real Estate (Private) Limited	17.2	30,381,647	21,644,000
		1,910,753,472	2,062,650,604
<i>Associated companies - at equity method</i>			
Fatima Energy Limited - unquoted		1,241,871,546	1,289,813,317
Fatima Transmission Company Limited - unquoted		25,349,425	41,692,867
Fatima Electric Company Limited - unquoted		23,605	29,612
	17.3	1,267,244,576	1,331,535,796
		<u>3,177,998,048</u>	<u>3,394,186,400</u>

	Shares		Market value		Market value per share		Percentage of holding	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	-----Rupees-----							
	-----Number-----							

Note

17.1 At fair value through OCI

Fatima Fertilizer Company Limited - quoted	17.1.1	62,994,031	1,880,371,825	2,041,006,604	29.85	32.40	3.00%	3.00%
--	--------	------------	---------------	---------------	-------	-------	-------	-------

17.1.1 The investment in Fatima Fertilizer Company Limited (FFCL) was previously classified as available for sale under IAS 39 which is now classified as fair value through OCI under IFRS 9. FFCL is an associated undertaking of the Group as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Group does not have significant influence on FFCL.

17.2 This represents ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity. Due to the application of IFRS 9 during the year the assets of MREPL were revalued as at 30 June 2019. Since the impact of fair value adjustment was not material, the same has been accounted for in the current year.

	Shares		Carrying value		Percentage of holding	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	-----Rupees-----					
	-----Number-----					

17.3 Associated companies with significant influence - at equity method

Fatima Energy Limited - unquoted	137,421,349	137,421,349	1,241,871,546	1,289,813,317	24.11%	24.11%
Fatima Transmission Company Limited - unquoted	5,520,000	5,520,000	25,349,425	41,692,867	24.00%	24.00%
Fatima Electric Company Limited - unquoted	7,000	7,000	23,605	29,612	20.00%	20.00%
	142,948,349	142,948,349	1,267,244,576	1,331,535,796		



17.4 Investments of the Group in associated companies has been accounted for under equity method of accounting based on its un-audited management financial statements for the year ended at 30 June 2019.

17.4.1 Reconciliation of carrying value of investments in associated companies accounted for under equity method:

	2019		
	FEL	FTCL	FECL
	----- Rupees -----		
Cost of investment	1,374,213,490	55,200,000	70,000
<i>Company's share of loss - post acquisition :</i>			
Balance at 01 July	(84,400,173)	(13,507,133)	(40,388)
<i>Statement of profit or loss</i>			
- share of loss	(47,941,771)	(16,343,442)	(6,007)
- share of tax	-	-	-
Share of other comprehensive loss for the year	-	-	-
Balance at 30 June	(132,341,944)	(29,850,575)	(46,395)
Net investment at 30 June	1,241,871,546	25,349,425	23,605
	2018		
	FEL	FTCL	FECL
	----- Rupees -----		
Cost of investment	1,374,213,490	55,200,000	70,000
<i>Company's share of loss - post acquisition:</i>			
Balance at 01 July	(41,461,930)	(2,045,361)	-
<i>Share of loss for the year:</i>			
- share of loss	(33,389,688)	(11,461,772)	(29,131)
- effect of other adjustments	-	-	(11,257)
- dilution gain	110,393	-	-
	(33,279,295)	(11,461,772)	(40,388)
- share of tax	(9,527,790)	-	-
Share of other comprehensive loss for the year	(131,158)	-	-
Balance at 30 June	(84,400,173)	(13,507,133)	(40,388)
Net investment at 30 June	1,289,813,317	41,692,867	29,612



17.4.2 Summarised financial information in respect of associated company on the basis of financial statements for the year ended 30 June 2019 and 2018 are set out below:

	2019		
	FEL	FTCL	FECL
	----- Rupees -----		
Non current assets	29,741,222,682	755,938,209	-
Current assets	1,334,866,000	973,236	143,025
Non current liabilities	(15,541,986,000)	(315,789,925)	(25,000)
Current liabilities	(10,383,246,000)	(335,498,915)	-
Net assets - 100%	<u>5,150,856,682</u>	<u>105,622,605</u>	<u>118,025</u>
Percentage ownership interest	<u>24.11%</u>	<u>24.00%</u>	<u>20.00%</u>
Group's share of net assets	<u>1,241,871,546</u>	<u>25,349,425</u>	<u>23,605</u>
Carrying amount of interest in associated company	<u>1,241,871,546</u>	<u>25,349,425</u>	<u>23,605</u>
Loss for the year from operations	(198,846,000)	(68,097,673)	(30,035)
Other comprehensive loss	-	-	-
Group's share of - <i>post acquisition</i>	<u>(47,941,771)</u>	<u>(16,343,442)</u>	<u>(6,007)</u>

	2018		
	FEL	FTCL	FECL
	----- Rupees -----		
Non current assets	26,955,441,000	758,043,886	-
Current assets	1,373,620,000	1,010,763	173,060
Non current liabilities	(14,810,016,000)	(368,421,054)	-
Current liabilities	(8,169,341,000)	(216,913,317)	(25,000)
Net assets - 100%	<u>5,349,704,000</u>	<u>173,720,278</u>	<u>148,060</u>
Percentage ownership interest	<u>24.11%</u>	<u>24.00%</u>	<u>20.00%</u>
Group's share of net assets	<u>1,289,813,317</u>	<u>41,692,867</u>	<u>29,612</u>
Carrying amount of interest in associated company	<u>1,289,813,317</u>	<u>41,692,867</u>	<u>29,612</u>
Loss for the year from operations	(178,007,000)	(47,757,383)	(145,655)
Other comprehensive loss	(544,000)	-	-
	(178,551,000)	(47,757,383)	(145,655)
Group's share of - <i>post acquisition</i>	<u>(43,048,636)</u>	<u>(11,461,772)</u>	<u>(29,131)</u>



18 Long term advance to associates	<i>Note</i>	2019 Rupees	2018 Rupees
Pak Arab Energy Limited		25,904,160	25,904,160
Fatima Transmission Company Limited		38,811,585	23,320,790
Fatima Energy Limited		1,840,408,522	1,057,601,401
	<i>18.1</i>	<u>1,905,124,267</u>	<u>1,106,826,351</u>

18.1 These represents loans disbursed to meet the working capital requirements of the associated companies. These loans carries markup at the rate of average borrowing cost of the Holding Company. Effective markup rate charged by the Holding Company during the year ranges from 8.53% to 14.29% per annum (2018: 7.76% to 8.36% per annum). As per the agreements, these loans will be repaid in 8 to 10 years starting from financial year 2021.

18.2 Maximum outstanding balance with reference to month end balances:

	2019 Month	2018 Month	2019 Rupees	2018 Rupees
Pak Arab Energy Limited	Jul-18	Jul-17	25,904,160	25,904,160
Fatima Transmission Company Limited	Jan-19	Jun-18	38,811,585	23,320,790
Fatima Energy Limited	Jun-19	Jul-17	1,840,408,522	1,057,601,401

19 Stores, spares and loose tools	2019 Rupees	2018 Rupees
Stores [In-transist: Rs. Nil million (2018: Rs. 39.71 million)]	162,769,627	151,116,491
Spares [In-transist: Rs. 108.79 million (2018: 2.31 million)]	600,190,369	392,414,354
Loose tools	571,800	483,691
	<u>763,531,796</u>	<u>544,014,536</u>
Provision for slow moving items	<u>(1,770,316)</u>	<u>(1,770,316)</u>
	<u>761,761,480</u>	<u>542,244,220</u>

20 Stock-in-trade	2019 Rupees	2018 Rupees
Raw material [In-transist: Rs. 1131.04 million (2018: Rs 1791.72 million)]	10,778,926,772	8,052,539,544
Work-in-process	410,363,326	359,035,028
Finished goods		
Yarn	1,301,892,220	1,625,618,607
Fabric	542,110,000	320,144,524
	<u>1,844,002,220</u>	<u>1,945,763,131</u>
	<u>13,033,292,318</u>	<u>10,357,337,703</u>



	<i>Note</i>	2019 Rupees	2018 Rupees
21 Trade debts			
<i>Export debtors - secured against letters of credit:</i>			
Considered good		2,932,832,064	3,630,040,600
<i>Local debtors - unsecured</i>			
Related Parties - considered good	21.1 & 21.3	198,819,797	23,764,192
Others - considered good		3,000,653,234	1,583,953,495
Others - considered doubtful		28,943,784	8,856,467
		3,228,416,815	1,616,574,154
Allowance for impairment of trade debts	21.4	(28,943,784)	(8,856,467)
		6,132,305,095	5,237,758,287

21.1 These include due from following associated undertakings on account of trading activities.

	2019 Rupees	2018 Rupees
Reliance Weaving Mills Limited	5,619,336	3,208,468
Fazal Rehman Fabrics Limited	171,312,902	16,141,170
Ahmad Fine Textile Mills Limited	17,473,005	-
Fatimafert Limited	4,414,554	4,414,554
	198,819,797	23,764,192

21.2 Maximum outstanding balance with reference to month end balances:

	2019 Month	2018 Month	2019 Rupees	2018 Rupees
Fazal Rehman Fabrics Limited	Aug-18	Nov-17	477,212,317	446,855,490
Reliance Weaving Mills Limited	Nov-18	Mar-18	27,822,642	44,296,742
Ahmad Fine Textile Mills Limited	Jun-19	-	197,940,000	-
Fatimafert Limited	Jul-18	Jun-18	4,410,000	4,410,000

21.3 The ageing analysis of trade debts from related parties is as follows:

	2019 Rupees	2018 Rupees
Not yet due	165,117,949	18,189,521
1 to 30 days	27,642,152	4,414,554
30 to 150 days	1,580,000	-
150 days and above	4,479,696	1,160,117
	198,819,797	23,764,192



21.4 The movement in allowance for impairment of trade debts is as follows:

	<i>Note</i>	2019 Rupees	2018 Rupees
Balance as at 01 July		8,856,467	-
Provision for the year		<u>20,087,317</u>	<u>8,856,467</u>
Balance as at 30 June		<u><u>28,943,784</u></u>	<u><u>8,856,467</u></u>

22 Loans and advances

Considered good

Advances to suppliers and contractors - unsecured		84,579,089	146,099,599
Advances to employees against salaries - secured		1,495,770	12,436,173
LC deposits for imports		<u>6,671,305</u>	<u>6,031,633</u>
		<u><u>92,746,164</u></u>	<u><u>164,567,405</u></u>

23 Deposits, prepayments and other receivable

Deposits against LC margin		9,812,086	6,807,588
Prepayments		59,001,617	31,965,912
Import claim receivable		38,617,310	22,384,973
Duty drawback receivable	23.1	263,540,133	527,236,418
Other receivable		<u>3,698,380</u>	<u>1,108,232</u>
		<u><u>374,669,526</u></u>	<u><u>589,503,123</u></u>

23.1 This represent amount receivable against duty draw back as detailed under note 29.1.3.

	<i>Note</i>	2019 Rupees	2018 Rupees
24 Mark-up accrued			
Mark-up accrued from associated companies	24.1	<u>261,329,890</u>	<u>81,339,057</u>

24.1 Mark-up is accrued on the basis as described in note 18 of these financial statements

	2019 Rupees	2018 Rupees
25 Short term investment		
Investment at fair value through profit or loss <i>Fatima Fertilizer Company Limited - quoted</i> <i>6,120,000 (2018: 6,120,000) fully paid</i> <i>ordinary shares of Rs. 10 each</i> <i>Equity held 0.29% (2018: 0.29%)</i>	<u>182,682,000</u>	<u>198,288,000</u>



25.1 Movement in short term investment at fair value through profit or loss is as follows:

	2019 Rupees	2018 Rupees
Market value as at 01 July	198,288,000	219,658,800
<i>Investments disposed during the year:</i>		
- Fair value realized	-	(12,657,400)
- Loss on disposal of investment	-	(818,600)
	-	(13,476,000)
Unrealized fair value loss on re-measurement of investments	(15,606,000)	(7,894,800)
Market value as at 30 June	<u>182,682,000</u>	<u>198,288,000</u>

25.2 FFCL is an associated undertaking of the Group as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through profit or loss. The Group does not have significant influence on FFCL.

	Note	2019 Rupees	2018 Rupees
26 Tax refunds due from the Government - net			
Sales tax		919,486,512	631,570,590
Income tax - net		298,863,211	470,635,248
Excise duty		11,881,580	11,881,580
		<u>1,230,231,303</u>	<u>1,114,087,418</u>
27 Cash and bank balances			
Cash in hand		22,664,075	17,095,238
Cash at banks			
- Current accounts		176,809,454	116,749,586
- Saving accounts	27.1	2,509	452,668
		<u>176,811,963</u>	<u>117,202,254</u>
		<u>199,476,038</u>	<u>134,297,492</u>

27.1 Rate of interest and mark up on saving accounts ranges from 4.44% to 10.06% (2018: 0.49% to 4.44%) per annum.

	Note	2019 Rupees	2018 Rupees
28 Sales - net			
<i>Local:</i>			
Yarn		21,981,368,072	15,665,726,300
Fabric		5,493,336,795	3,324,476,889
Waste		617,721,628	499,096,735
Comber noil		193,783,503	258,181,585
		<u>28,286,209,998</u>	<u>19,747,481,509</u>
Cotton and other products		13,548,878	19,709,877
		<u>28,299,758,876</u>	<u>19,767,191,386</u>
Less:			
Sales return		73,092,353	56,933,081
Sales tax	28.1	96,732,754	68,097,919
		<u>169,825,107</u>	<u>125,031,000</u>
Net local sales		<u>28,129,933,769</u>	<u>19,642,160,386</u>
<i>Export:</i>			
Yarn	28.2	11,237,175,422	11,134,705,522
Fabric		1,329,769,177	2,387,903,027
Comber noil		216,850,480	180,419,832
		<u>12,783,795,079</u>	<u>13,703,028,381</u>
		<u>40,913,728,848</u>	<u>33,345,188,767</u>



- 28.1** This represent further tax at the rate of 1% (2018: 1%) on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017.
- 28.2** It includes indirect export of Rs. 1,447.53 million (2018: Rs. 743.87 million) to a related party under Duty and Tax Remission for Exports ("DTRE") under S.R.O 185(I)/ 2001 dated 21 March 2001.

	<i>Note</i>	2019 Rupees	2018 Rupees
29 Cost of sales			
Raw material consumed	29.1	25,630,148,858	21,390,682,524
Packing material consumed		453,101,276	416,914,914
Salaries, wages and benefits	29.2	2,229,664,467	1,957,666,363
Freight outward charges	29.3	244,153,860	272,641,109
Travelling and conveyance		19,703,835	13,688,277
Power and fuel		3,260,625,666	3,403,907,550
Stores and spares consumed		700,311,755	711,746,637
Repair and maintenance		47,909,569	41,500,219
Insurance		77,700,848	62,692,750
Depreciation on property, plant and equipment	16.1.1	1,126,945,247	996,955,269
Others		3,112,284	1,505,647
		33,793,377,665	29,269,901,259
<i>Work-in-process :</i>			
Balance at 01 July		359,035,028	310,982,823
Balance at 30 June		(410,363,326)	(359,035,028)
		(51,328,298)	(48,052,205)
Cost of goods manufactured		33,742,049,367	29,221,849,054
<i>Finished goods :</i>			
Balance at 01 July		1,945,763,131	2,105,211,307
Finished goods purchased		2,005,392,194	732,702,173
Balance at 30 June		(1,844,002,220)	(1,945,763,131)
		2,107,153,105	892,150,349
Cost of goods sold		35,849,202,472	30,113,999,403
Cost of raw material sold		37,643,829	27,180,663
		35,886,846,301	30,141,180,066
29.1 Raw material consumed			
Raw material as at 01 July		8,052,539,544	5,163,805,460
Purchases related expenses		27,677,078,088	24,442,922,594
Transfer from ginning unit	29.1.1	679,457,997	354,293,400
		28,356,536,085	24,797,215,994
		36,409,075,629	29,961,021,454



	2019	2018
	Rupees	Rupees
Raw material as at 30 June	(9,647,890,818)	(6,260,819,791)
Stock-in-transit	(1,131,035,953)	(1,791,719,753)
	(10,778,926,771)	(8,052,539,544)
	25,630,148,858	21,908,481,910
Duty drawback on exports	29.1.3	(517,799,386)
	-	(517,799,386)
	25,630,148,858	21,390,682,524

29.1.1 Production cost of ginning unit - net

Raw material purchased and consumed	832,263,565	446,865,176
Power and fuel	5,811,536	-
Lease charges	1,250,000	1,250,000
Salaries, wages and benefits	7,384,714	6,865,168
Travelling and conveyance	1,563,547	572,659
Repair and maintenance	1,430,022	1,790,178
Store consumption	1,669,441	504,716
Utilities	80,993	143,720
Entertainment	1,026,814	237,520
Rent, rate and taxes	213,650	40,070
Printing and stationery	44,200	38,130
Communication	25,910	78,020
Insurance	624,055	97,943
Others	249,732	173,570
	853,638,179	458,656,870
Sale of cotton seed	(174,180,182)	(104,363,470)
Transferred to raw material consumed	679,457,997	354,293,400

29.1.2 The Holding Company has acquired a cotton ginning factory from Hussain Gineries Limited 'an associated undertaking' on operating lease basis. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Holding Company as raw material cost.

29.1.3 This represents Duty Drawback on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters which was applicable till 30 June 2018.

29.2 These include Rs. 127.52 million (2018: Rs. 113.61 million) in respect of staff retirement benefits.

29.3 This includes freight on export sales amounting to Rs. 196.43 million (2018: Rs. 236.84 million) and local freight on local sales Rs. 47.72 million (2018: Rs. 35.76 million)



30 Selling and distribution expenses	<i>Note</i>	2019 Rupees	2018 Rupees
<i>Export sales:</i>			
Export development surcharge		30,046,224	30,621,229
Insurance		1,898,449	17,720,357
Commission		116,179,866	172,024,868
<i>Local sales:</i>			
Insurance		3,501,349	2,210,666
Salaries and benefits - <i>marketing staff</i>	30.1	22,463,401	14,654,089
Commission		87,680,359	61,388,244
		<u>261,769,648</u>	<u>298,619,453</u>

30.1 These include Rs. 2.09 million (2018: Rs. 0.86 million) in respect of staff retirement benefits.

31 Administrative expenses	<i>Note</i>	2019 Rupees	2018 Rupees
Salaries and benefits	31.1	148,039,228	134,635,322
Traveling and conveyance	31.2	11,799,821	15,240,010
Vehicle running and maintenance		37,870,098	23,284,591
Rent, rates, taxes and fees		19,902,351	28,741,342
Electricity, gas and water		4,863,243	4,607,914
Entertainment/ guest house expenses		19,643,816	17,974,573
Communication		12,360,296	12,301,266
Printing and stationery		8,158,369	6,706,918
Insurance		5,946,837	5,337,793
Repair and maintenance		20,533,445	10,635,608
Subscription/ advertisement		2,538,506	3,575,729
Auditors' remuneration	31.3	2,316,155	2,415,000
Legal and professional charges		8,407,722	2,105,975
Depreciation on property, plant and equipment	16.1.1	31,771,948	24,444,430
Amortization		-	136,464
Impairment loss of goodwill		-	505,761
Others		15,987,024	4,859,403
		<u>350,138,859</u>	<u>297,508,099</u>

31.1 These include Rs. 13.58 million (2018: Rs. 14.29 million) in respect of staff retirement benefits.

31.2 These include Directors' traveling expense of Rs. 0.27 million (2018: Rs. 4.6 million).



31.3 Auditors' remuneration	<i>Note</i>	2019 Rupees	2018 Rupees
Fee for statutory audit		1,600,000	1,600,000
Six month review		500,000	550,000
Other certifications		-	100,000
Out of pocket expenses		216,155	165,000
		2,316,155	2,415,000

32 Other expenses

Workers' Profit participation fund	<i>12.3</i>	133,481,782	85,835,267
Workers welfare fund	<i>12.4</i>	22,372,534	14,449,516
Unrealized loss on re-measurement of short term investments at fair value	<i>25.1</i>	15,606,000	7,894,800
Loss on sale of short term investment	<i>25.1</i>	-	818,600
Loss on disposal of property, plant and equipment	<i>16.2</i>	34,501,680	10,389,043
Donations	<i>32.1</i>	12,757,470	12,698,584
Allowance for impairment of trade debts		20,087,317	8,856,467
Sales tax receivable written off		7,742,484	-
		246,549,267	140,942,277

32.1 Donations for the year have been given to:

Fazal Rehman Foundation	<i>32.1.1</i>	3,290,070	3,784,412
Friends of Cardiology Foundation Multan (Previously: Cardiology Multan Foundation)	<i>32.1.2</i>	2,599,571	2,000,000
Taary Zameen Par	<i>32.1.2</i>	100,000	-
Others	<i>32.1.3</i>	6,767,829	6,914,172
		12,757,470	12,698,584

32.1.1 Mr. Rehman Naseem Ahmad (Chief Executive Officer) and Mr. Naseem Ahmad (Chairman) are amongst the trustees of the Fazal Rehman Foundation.

32.1.2 Mr. Rehman Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Friends of Cardiology Foundation Multan and Mr. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

32.1.3 Others' includes donations paid to various insitutions. The aggregate amount paid to a single institution is less than 10% of the total donations made during the year.

33 Other income	<i>Note</i>	2019 Rupees	2018 Rupees
<u>Income from financial assets</u>			
Dividend income	<i>33.1</i>	120,949,554	156,406,569
Mark-up on advance to associated undertaking	<i>24.1</i>	179,990,832	54,201,241
Exchange gain - net	<i>33.2</i>	510,385,396	257,816,619
		811,325,782	468,424,429

From non-financial assets

Scrap sales		11,731,527	16,233,816
		823,057,309	484,658,245



33.1 This represent annual dividend for the year ended 31 December 2018 declared and received from Fatima Fertilizer Limited 'an associated undertaking'.

33.2 This includes net exchange gain on export sales of Rs. 825.31 million (2018: Rs. 404.10 million) and net exchange loss on import of Rs. 314.93 million (2018: Rs. 146.28 million). The exchange gain on exports includes unrealized gain of Rs. 327.39 million (2018: Rs. 163.41 million) and exchange loss on imports include unrealized loss of Rs. 45.96 million (2018: Rs. 12.32 million).

34 Share of loss from associates - net	<i>Note</i>	2019 Rupees	2018 Rupees
Share of loss from associated companies			
- Fatima Energy Limited		(47,941,771)	(33,389,697)
- Fatima Transmission Company Limited		(16,343,442)	(11,461,772)
- Fatima Electric Company Limited		(6,007)	(40,388)
	17.4.1	(64,291,220)	(44,891,857)
Gain/ (loss) on dilution of equity interest in associated companies			
- Fatima Energy limited		-	110,402
		<u>(64,291,220)</u>	<u>(44,781,455)</u>
35 Finance cost			
<i>Mark-up based loans from conventional banks:</i>			
- Long term financing - secured		748,514,995	611,844,027
- Short term borrowings - secured		1,140,752,257	526,978,679
		1,889,267,252	1,138,822,706
<i>Islamic mode of financing:</i>			
- Musharika - secured		204,376,503	72,715,112
- Short term borrowings - secured		134,929,296	65,640,695
		339,305,799	138,355,807
Bank charges		93,870,527	93,377,180
Interest on workers' profit participation fund	12.3	11,596,314	1,510,382
		<u>2,334,039,892</u>	<u>1,372,066,075</u>
36 Taxation			
<i>Group taxation</i>			
Current tax			
- for the year		426,131,405	331,653,170
- prior year		(19,439,942)	2,274,116
		406,691,463	333,927,286
Deferred tax		-	-
- for the year		598,619,892	(85,232,702)
		1,005,311,355	248,694,584
Associated companies		-	9,527,790
		<u>1,005,311,355</u>	<u>258,222,374</u>



36.1 The tax provision is charged by considering the provision of section 113, 65B, 154(5) and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Group's tax liability in respect of income arising from such source.

36.2 The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

	2019	2018
Applicable tax rate	29%	30%
<i>Tax effect of amounts that are:</i>		
- Effect of change in tax rate and proration rate	11%	-13%
- Effect of prior year adjustment	-1%	0%
- Effect of minimum tax and final tax regime	-3%	-3%
- Effects of temporary/ deductible differences	5%	8%
- Effect of associate taxation	0%	1%
- Effect of tax credits under section 65B	-3%	-8%
- Effect of super tax under section 4B	1%	2%
Average effective tax rate charged to consolidated statement of profit or loss	39%	17%

36.3 As explained in note 48 to the consolidated financial statements, the Board of Directors of the Holding Company in their meeting held on 26 September 2019 has recommended final cash dividend of Rs.10.50 per ordinary share for the year ended 30 June 2019 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended 30 June 2019.

37 Earnings per share - basic and diluted

37.1 Basic earnings per share

		2019	2018
Profit after taxation	<i>Rupees</i>	1,587,839,615	1,276,527,213
Weighted average number of ordinary shares	<i>No. of shares</i>	30,000,000	30,000,000
Earnings per share	<i>Rupees</i>	52.93	42.55

37.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Group has no such commitments.



38 Fair value measurement of financial instruments

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.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

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

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value					
	Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
As at 30 June 2019									
<i>Financial assets - measured at fair value</i>									
Short term investment	-	182,682,000	-	-	182,682,000	182,682,000	-	-	182,682,000
Long term investment	-	-	1,910,753,472	-	1,910,753,472	1,880,371,825	-	30,381,647	1,910,753,472
<i>Financial assets - not measured at fair value</i>									
Trade debts	6,132,305,095	-	-	-	6,132,305,095	-	-	-	-
Bank balances	176,811,963	-	-	-	176,811,963	-	-	-	-
Long term deposits	24,071,493	-	-	-	24,071,493	-	-	-	-
Other receivable	38,617,310	-	-	-	38,617,310	-	-	-	-
Mark-up accrued	261,329,890	-	-	-	261,329,890	-	-	-	-
Long term advances to associates	1,905,124,267	-	-	-	1,905,124,267	-	-	-	-
	8,538,260,018	182,682,000	1,910,753,472	-	10,631,695,490	2,063,053,825	-	30,381,647	2,093,435,472
<i>Financial liabilities - not measured at fair value</i>									
Long term financing - secured	-	-	-	8,755,286,862	8,755,286,862	-	-	-	-
Long term musharika - secured	-	-	-	1,690,100,636	1,690,100,636	-	-	-	-
Current portion of non-current liabilities	-	-	-	2,517,786,016	2,517,786,016	-	-	-	-
Trade and other payables	-	-	-	2,927,089,537	2,927,089,537	-	-	-	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-	-	-	-
Short term borrowings - secured	-	-	-	12,299,901,368	12,299,901,368	-	-	-	-
Accrued mark-up	-	-	-	481,255,957	481,255,957	-	-	-	-
	-	-	-	28,683,760,457	28,683,760,457	-	-	-	-



	Carrying amount			Fair value					
	Financial assets at amortised cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
<i>As at 30 June 2018</i>									
<i>Financial assets - measured at fair value</i>									
Short term investment	-	198,288,000	-	-	198,288,000	198,288,000	-	-	198,288,000
Long term investment	-	-	2,062,650,604	-	2,062,650,604	2,041,006,604	-	21,644,000	2,062,650,604
<i>Financial assets - not measured at fair value</i>									
Trade debits	5,237,758,287	-	-	-	5,237,758,287	-	-	-	-
Bank balances	117,202,254	-	-	-	117,202,254	-	-	-	-
Long term deposits	24,071,493	-	-	-	24,071,493	-	-	-	-
Other receivable	22,384,973	-	-	-	22,384,973	-	-	-	-
Mark-up accrued	81,339,057	-	-	-	81,339,057	-	-	-	-
Long term advances to associates	1,106,826,351	-	-	-	1,106,826,351	-	-	-	-
	6,589,582,415	198,288,000	2,062,650,604	-	8,850,521,019	2,239,294,604	-	21,644,000	2,260,938,604
<i>Financial liabilities - not measured at fair value</i>									
Long term financing - secured	-	-	-	8,139,468,219	8,139,468,219	-	-	-	-
Long term musharika - secured	-	-	-	1,069,056,619	1,069,056,619	-	-	-	-
Current portion of non-current liabilities	-	-	-	2,200,556,658	2,200,556,658	-	-	-	-
Trade and other payables	-	-	-	2,350,599,463	2,350,599,463	-	-	-	-
Unclaimed dividend	-	-	-	8,971,945	8,971,945	-	-	-	-
Short term borrowings - secured	-	-	-	10,728,556,612	10,728,556,612	-	-	-	-
Accrued mark-up	-	-	-	322,880,239	322,880,239	-	-	-	-
	-	-	-	24,820,089,755	24,820,089,755	-	-	-	-



39 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

39.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 10,631.70 million (2018: Rs. 8,850.52 million) are subject to credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is:

	2019 Rupees	2018 Rupees
<u>Financial assets at FVOCI</u>		
Long term investment	1,910,753,472	2,062,650,604
<u>Financial assets at FVTPL</u>		
Short term investment	182,682,000	198,288,000
<u>Financial assets at amortised cost</u>		
Long term loan and advances	1,905,124,267	1,106,826,351
Trade debts	6,132,305,095	5,237,758,287
Other receivable	38,617,310	22,384,973
Mark-up accrued, associated companies	261,329,890	81,339,057
Long term deposits	24,071,493	24,071,493
Bank balances	176,811,963	117,202,254
	8,538,260,018	6,589,582,415
	10,631,695,490	8,850,521,019

39.2 (a) Other financial assets

The credit quality of Group's investments can be assessed with reference to external credit rating agencies as follows:



<u>Financial assets at FVOCI</u>	<u>Rating</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Fatima Fertilizers Company Limited	AA-	1,880,371,825	2,041,006,604
Multan Real Estate (Private) Limited	N/A	30,381,647	21,644,000
 <u>Financial assets at FVTPL</u>			
Fatima Fertilizers Company Limited	A-1+	182,682,000	198,288,000
		2,093,435,472	2,260,938,604

39.2 (b) Counterparties with external credit rating

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

<u>Bank</u>	<u>Rating</u>		<u>Rating agency</u>	<u>2019</u>	<u>2018</u>
	<u>Short term</u>	<u>Long term</u>		<u>Rupees</u>	<u>Rupees</u>
Allied Bank Limited	A-1+	AAA	PACRA	5,553,858	1,379,756
National Bank of Pakistan	A-1+	AAA	JCR-VIS	39,773,992	2,404,029
MCB Bank Limited	A-1+	AAA	PACRA	26,812,785	51,545,940
Meezan Bank Limited	A-1+	AA+	JCR-VIS	-	100,000
UBL Bank Limited	A-1+	AAA	JCR-VIS	1,956,130	7,829,170
Standard Chartered Bank Pakistan Limited	A-1	AA-	PACRA	1,060,501	1,979,268
Habib Bank Limited	A-1+	AAA	JCR-VIS	14,643,955	8,698,418
Soneri Bank Limited	A-1+	AA-	PACRA	1,546,531	2,368,027
Bank Al Falah Limited	A-1+	AA+	PACRA	13,195,960	8,944,199
Askari Bank Limited	A-1+	AA+	PACRA	55,157,053	1,109,922
The Bank of Punjab	A-1+	AA	PACRA	4,161,719	1,505,871
The Bank of Khyber	A-1	A	PACRA	1,045,220	13,027,911
Bank Al Habib Limited	A1+	AA+	PACRA	935,451	425,802
Bank Islamic Limited	A-1	A+	PACRA	1,303,839	454,034
Dubai Islamic Bank Pakistan Limited	A-1	AA-	PACRA	988,927	1,810,104
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	270,040	3,494,401
Faysal Bank Limited	A-1+	AA	PACRA	2,478,252	98,698
Samba Bank Limited	A-1	AA	JCR-VIS	660	660
Silk Bank Limited	A-2	A-	JCR-VIS	73,296	73,295
Summit Bank Limited	Not available	Not available	JCR-VIS	2,198,234	3,474,940
JS Bank Limited	A-1+	AA-	PACRA	3,655,560	6,477,809
				176,811,963	117,202,254

39.2 (c) Counterparties without external credit rating

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. As explained in note 4.1.2, the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. On adoption of IFRS 9, management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Group has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 6,161.25 million (2018: Rs. 5,246.61 million), Rs. 2,932.83 million (2018: Rs. 3,630.04 million) are secured. The Group is exposed to credit risk. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:



	2019		2018	
	Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
	Rupees		Rupees	
The aging of trade debts at the reporting date is:				
<i>Export debtors - secured</i>				
Not past due	2,932,832,064	-	3,630,040,600	-
<i>Local debtors</i>				
Not past due	2,787,186,735	3,314,990	1,282,506,248	330,614
Past due				
1- 90 days	374,259,495	234,224	269,390,761	55,724
91 - 180 days	36,539,725	18,586	17,064,392	121,403
181 - 270 days	3,842,358	1,721,950	10,809,779	227,363
271 - 365 days	2,928,297	2,723,526	4,960,028	-
366 - above days	23,660,205	20,930,508	31,842,946	8,121,363
	6,161,248,879	28,943,784	5,246,614,754	8,856,467

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and shipments to the export customers are generally covered by letters of credit or other form of credit insurance.

Credit risk on loans and advances and markup accrued from associated companies are measured under General Approach and with respect to external credit ratings of the Holding Company.

39.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.



39.5 Market risk

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

39.5.1 Currency risk

Pakistani Rupee is the functional currency of the Group and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group's potential currency exposure comprises of:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to rupee equivalent, and the associated gain or loss is taken to the consolidated statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to rupee equivalent, and the associated gain or loss is taken to the consolidated statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date is as follows:

	2019 Rupees	2018 Rupees
<u>Consolidated statement of financial position items</u>		
Export finances	-	-
Finance against imported merchandise	1,877,878,369	1,409,699,810
Foreign debtors	(2,932,832,064)	(3,630,040,600)
Gross consolidated statement of financial position exposure	(1,054,953,695)	(2,220,340,790)
<u>Off consolidated statement of financial position items</u>		
Outstanding letters of credit	1,961,619,403	2,474,085,692
Net exposure	<u>906,665,708</u>	<u>253,744,902</u>

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		Spot rate	
	2019	2018	2019	2018
	----- Rupees ----- Rupees -----			
USD to Rupee	140.89	113.14	160.05	121.50



Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

	2019	2018
	Rupees	Rupees
<u>Effect on consolidated statement of profit or loss</u>		
USD to Rupee	<u>90,666,571</u>	<u>25,374,490</u>

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

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

Currency risk management

Since the maximum amount exposed to currency risk is only 1.66% (2018: 0.52%) of the Group's total assets, any adverse/ favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

39.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments is as follows:

	2019	2018	2019	2018
	Effective rate		Carrying amount	
	(in Percentage)		(Rupees)	
39.5.2 (a) Financial Instruments				
<u>Financial liabilities</u>				
<i>Fixed rate instruments:</i>				
Long term loan	2.50 - 3.25	2.50 - 3.75	<u>4,697,591,107</u>	<u>2,397,460,479</u>
<i>Variable rate instruments:</i>				
Long term loan	7.14 - 14.03	6.65 - 8.21	<u>8,265,582,407</u>	<u>9,011,621,017</u>
Short term borrowings	3.25 - 14.30	2.55 - 8.36	<u>12,299,901,368</u>	<u>10,728,556,612</u>
<u>Financial assets</u>				
<i>Variable rate instruments:</i>				
Advance to associated company	8.53 - 14.29	7.76 - 8.36	<u>1,905,124,267</u>	<u>1,106,826,351</u>
Saving accounts	4.44 - 10.06	0.49 - 4.44	<u>2,509</u>	<u>452,668</u>

39.5.2 (b) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through consolidated statement of profit or loss. Therefore a change in interest rates at the reporting date would not affect consolidated statement of profit or loss.

39.5.2 (c) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.



	Profit or loss	
	100 bps Increase	100 bps Decrease
	----- Rupees -----	
As at 30 June 2019	<u>205,654,813</u>	<u>(205,654,813)</u>
As at 30 June 2018	<u>197,397,250</u>	<u>(197,397,250)</u>

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

39.5.2 (d) Interest rate risk management

The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Group's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

39.5.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk because of investments held by the Group and classified on the statement of financial position at fair value through profit or loss and fair value through OCI. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2019 and 2018 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group's equity investment portfolio.

	2019			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	-----Rupees-----			
Financial assets at fair value through profit or loss	182,682,000	10% increase	200,950,200	18,268,200
		10% decrease	164,413,800	(18,268,200)
Financial assets at fair value through OCI	1,910,753,472	10% increase	2,101,828,819	191,075,347
		10% decrease	1,719,678,125	(191,075,347)
	<u>2,093,435,472</u>			



	2018			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	-----Rupees-----			
Financial assets at fair value through profit or loss	198,288,000	10% increase	218,116,800	19,828,800
		10% decrease	178,459,200	(19,828,800)
Financial assets at fair value through OCI	2,062,650,604	10% increase	2,268,915,664	206,265,060
		10% decrease	1,856,385,544	(206,265,060)
	<u>2,260,938,604</u>			

39.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

40 Capital management

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.



The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

40.1 Gearing ratio as at 30 June 2019 and as at 30 June 2018 are as follows:

	2019	2018
	Rupees	Rupees
Total debt	25,263,074,882	22,137,638,108
Total equity including revaluation surplus	21,748,995,072	20,783,087,039
Total capital employed	47,012,069,954	42,920,725,147
Gearing ratio	54%	52%

Total debt comprises of long term financing from conventional banks, long term musharika including current portion of long term borrowings and short term borrowings.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance.

40.2 **Financial instruments by categories**

At amortised cost

	Financial assets	
	2019	2018
	Rupees	Rupees
Long term loan to associates	1,905,124,267	1,106,826,351
Trade debts	6,132,305,095	5,237,758,287
Other receivables	38,617,310	22,384,973
Long term deposits	24,071,493	24,071,493
Mark-up accrued, associated companies	261,329,890	81,339,057
Bank balances	176,811,963	117,202,254
	8,538,260,018	6,589,582,415



At fair value through OCI

Long term investments	<u>1,910,753,472</u>	<u>2,062,650,604</u>
-----------------------	----------------------	----------------------

At fair value through Profit or loss

Short term investment	<u>182,682,000</u>	<u>198,288,000</u>
-----------------------	--------------------	--------------------

Financial liabilities

	2019	2018
	Rupees	Rupees
Long term finances - <i>secured</i>	10,445,387,498	9,208,524,838
Current portion of non-current liabilities	2,517,786,016	2,200,556,658
Trade and other payables	2,927,089,537	2,350,599,463
Unclaimed dividend	12,340,081	8,971,945
Short term borrowings - secured	12,299,901,368	10,728,556,612
Accrued mark-up	481,255,957	322,880,239
	<u>28,683,760,457</u>	<u>24,820,089,755</u>



41 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019					
	Long term financing	Long term musharika	Short term borrowing	Unclaimed dividend	Accrued markup	Total
	----- Rupees -----					
Balance at 01 July 2018	10,019,402,227	1,389,679,269	10,728,556,612	8,971,945	322,880,239	22,469,490,292
Changes from financing cash flows						
Proceeds from short term borrowings - net	-	-	1,571,344,756	-	-	1,571,344,756
Financial charges paid - net	-	-	-	-	(2,355,655,007)	(2,355,655,007)
Proceeds from long term financing - net	2,608,778,944	1,100,000,000	-	-	-	3,708,778,944
Long term financing repaid	(1,834,064,276)	(320,622,650)	-	-	-	(2,154,686,926)
Dividend paid	-	-	-	(251,631,864)	-	(251,631,864)
Total changes from financing cash flows	774,714,668	779,377,350	1,571,344,756	(251,631,864)	(2,355,655,007)	518,149,903
Other changes						
Finance cost	-	-	-	-	2,334,039,892	2,334,039,892
Dividend declared	-	-	-	255,000,000	-	255,000,000
Mark up on loan - received	-	-	-	-	179,990,833	-
Total liability related other changes	-	-	-	255,000,000	2,514,030,725	2,589,039,892
Balance at 30 June 2019	10,794,116,895	2,169,056,619	12,299,901,368	12,340,081	481,255,957	25,576,680,087



2018

	Long term financing	Long term musharika	Short term borrowing	Unclaimed dividend	Accrued markup	Total
Balance at 01 July 2017	9,088,017,648	1,235,301,919	8,940,727,933	7,972,261	280,002,402	19,552,022,163
Changes from financing cash flows						
Proceeds from short term borrowings - net	-	-	1,787,828,679	-	-	1,787,828,679
Financial charges paid - net	-	-	-	-	(1,383,389,479)	(1,383,389,479)
Proceeds from long term financing	2,533,887,998	500,000,000	-	-	-	3,033,887,998
Long term financing repaid	(1,602,503,419)	(345,622,650)	-	-	-	(1,948,126,069)
Dividend paid	-	-	-	(156,500,316)	-	(156,500,316)
Total changes from financing cash flows	931,384,579	154,377,350	1,787,828,679	(156,500,316)	(1,383,389,479)	1,333,700,813
Other changes						
Finance cost	-	-	-	-	1,372,066,075	1,372,066,075
Dividend declared	-	-	-	157,500,000	-	157,500,000
Mark up on loan - received	-	-	-	-	54,201,241	54,201,241
Total liability related other changes	-	-	-	157,500,000	1,426,267,316	1,583,767,316
Balance at 30 June 2018	10,019,402,227	1,389,679,269	10,728,556,612	8,971,945	322,880,239	22,469,490,292

Rupees



42 Remuneration of Chief Executive officer, Directors, Non-Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chairman and Managing Director, Directors and Executives of the Holding Company are as follows:

	2019					2018				
	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total
	Rupees					Rupees				
Managerial remuneration	1,760,374	14,233,486	5,365,006	47,412,200	68,771,066	6,064,595	12,152,460	5,926,896	13,222,702	37,366,653
House rent and utilities	76,984	2,100	-	7,825,634	7,904,718	13,266	1,550	-	2,692,540	2,707,356
Medical	177,965	-	-	4,636,239	4,814,204	138,049	7,200	-	1,322,270	1,467,519
Conveyance / petrol	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	5,474	2,665	-	-	8,139
	<u>2,015,323</u>	<u>14,235,586</u>	<u>5,365,006</u>	<u>59,874,073</u>	<u>81,489,988</u>	<u>6,221,384</u>	<u>12,163,875</u>	<u>5,926,896</u>	<u>17,237,512</u>	<u>41,549,667</u>
Numbers	1	4	1	22	28	1	2	1	8	12

42.1 In addition to above, only Non-Executive Directors were paid Rs. Nil (2018: Rs. Nil) as meeting fee.

42.2 Chief Executive Officer, Executive Directors and some of the executives are also provided with maintained cars and telephones at residences of directors for the Group business purposes.

4.3 These include Rs. 10.42 million (2018: Rs. 1.67 million) in respect of staff retirement benefits.

43 Number of employees

	2019	2018
	----- (Number) -----	
Total number of employees as at 30 June	<u>5,389</u>	<u>5,718</u>
Average number of employees during the year	<u>5,554</u>	<u>5,607</u>



44 Related party transactions and balances

The related parties comprise of associated companies, directors of the Group and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

	Name of parties	Relationship	Basis of Relationship	2018	
				Rupees	Rupees
a)	Fazal Rehman Fabrics Limited	Related party	Common Directorship		
	Sale of goods and services - <i>net</i>			3,284,384,000	2,146,788,110
	Purchase of goods and services			38,019,026	131,640,137
	Receipts against sale of goods and services - <i>net</i>			3,090,566,683	1,821,540,983
b)	Fatima Fertilizer Company Limited	Related party	Common Directorship and 3.29 % (2018: 3.29%) shareholding in associate		
	Dividend Income			120,949,554	156,406,569
	Reimbursable expenses			1,473,212	3,616,897
c)	Fatima Energy Limited	Related party	Common Directorship and 24.11 % (2018: 24.11%) shareholding in associate		
	Long term advance			782,807,121	752,718,716
	Mark-up accrued on advance			173,555,460	47,111,942
	Purchase of goods and services			4,036,058	12,690,109
	Payments against purchase of goods and services-net			9,815,884	6,152,588
d)	Fatimafert Limited	Related party	Common Directorship		
	Sale of goods and services			-	4,414,554



Name of parties		Relationship	Basis of Relationship	2019 Rupees	2018 Rupees
e)	Reliance Weaving Mills Limited	Related party	Common Directorship		
	Sale of goods and services			62,703,900	24,361,706
	Purchase of goods and services			-	1,490,000
	Receipts against sale of goods and services - net			60,292,803	23,134,688
f)	Ahmed Fine Textile Mills Limited	Related party	Common Directorship		
	Sale of goods and services			191,606,043	25,535,479
	Purchase of goods and services			634,952,247	592,965,561
	Payment against sale of goods and services - net			525,744,880	495,967,704
	Reimbursable expenses			2,500,000	-
g)	Fazal-ur-Rehman Foundation, Multan	Related party	Common Directorship/ Trustees		
	Donations			3,290,070	3,784,412
h)	Hussain Ginнерies Limited	Related party	Common Directorship		
	Expenses incurred on behalf of associate			1,981,757	11,901,194
	Receipts against expenses			-	10,937,500
	Payments against expenses - net			2,294,652	
i)	Fatima Transmission Company Limited	Related party	Common Directorship		
	Long term advance			15,490,795	11,559,590
	Mark-up accrued on long term advance			3,541,501	1,464,889



Name of parties	Relationship	Basis of Relationship	2019	2018
			Rupees	Rupees
j) Pak Arab Energy Limited	Related party	Common Directorship		
Mark-up accrued on long term advance			2,893,871	2,045,150
k) Fatima Sugar Mills Limited	Related party	Common Directorship		
Payments against expenses			2,600,000	-
Reimbursable expenses			2,600,000	-
Others			4,835	-
l) Fazal Farm (Pvt) Limited	Related party	Common Directorship		
Purchase of goods and services			4,040,976	-
Payments against purchase of goods and services-net			2,222,337	-
m) Friends of Cardiology Foundation Multan (Previously: Cardiology Multan Foundation)	Related party	Common Directorship/ Trustees		
Donations			3,266,775	2,000,000
n) Taary Zameen Par Trust	Related party	Common Directorship/ Trustees		
Donations			100,000	-

All transactions with related parties have been carried out on commercial terms and conditions.



45 Segment reporting

45.1 Reportable segments

The management has determined the operating segments of the Group on the basis of products produced.

The Group's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers
- Weaving segment - production of different qualities of Fabric using yarn

Information regarding the Group's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

45.2 Information about reportable segments

	Spinning		Weaving		Total	
	2019	2018	2019	2018	2019	2018
External revenues	34,027,589,141	27,599,849,115	6,886,139,707	5,745,339,652	40,913,728,848	33,345,188,767
Intersegment revenues	2,423,107,185	2,440,201,793	-	-	2,423,107,185	2,440,201,793
Cost of sales	(32,004,063,773)	(27,178,041,288)	(3,882,782,528)	(2,963,139,261)	(35,886,846,301)	(30,141,180,549)
Intersegment cost of sales	-	-	(2,423,107,185)	(2,440,201,793)	(2,423,107,185)	(2,440,201,793)
Selling and distribution expense	(190,915,967)	(236,278,692)	(70,853,681)	(62,340,761)	(261,769,648)	(298,619,453)
Administrative expenses	(307,160,583)	(265,800,467)	(42,978,276)	(31,398,834)	(350,138,859)	(297,199,301)
Other operating expense	(246,549,267)	(141,250,592)	-	-	(246,549,267)	(141,250,592)
Other operating income	769,219,269	420,964,737	53,838,040	63,693,508	823,057,309	484,658,245
Finance cost	(2,106,082,153)	(1,266,755,851)	(227,957,739)	(105,310,224)	(2,334,039,892)	(1,372,066,075)
Profit before tax	2,365,143,852	1,372,888,755	292,298,338	206,642,287	2,657,442,190	1,579,531,042
Share of loss of associate	-	-	-	-	(64,291,220)	(44,781,455)
	2,365,143,852	1,372,888,755	292,298,338	206,642,287	2,593,150,970	1,534,749,587

45.2.1 The accounting policies for disclosure of the reportable segments are the same as the Group's accounting policies described in note 4.22 to the financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.



	2019 Rupees	2018 Rupees
45.2.2 Reconciliation of reportable segment revenues and profits		
Total revenue from reportable segments	43,336,836,033	35,785,390,560
Elimination of inter segment revenue	(2,423,107,185)	(2,440,201,793)
	<u>40,913,728,848</u>	<u>33,345,188,767</u>
Consolidated statement of profit or loss		
Total profit of reportable segments	2,657,442,190	1,579,531,042
Share of loss from associates - <i>net</i>	(64,291,220)	(44,781,455)
Taxation for the year	(1,005,311,355)	(258,222,374)
	<u>1,587,839,615</u>	<u>1,276,527,213</u>

45.3 Segment assets and liabilities

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

	Spinning	Weaving	Total
	----- Rupees -----		
For the year ended 30 June 2019:			
Segment assets for reportable segment	9,846,660,955	3,948,392,847	13,795,053,802
Unallocated corporate assets	-	-	40,809,922,019
Total assets as per consolidated statement of financial position			<u>54,604,975,819</u>
Segment liabilities for reportable segment	-	-	-
Unallocated corporate liabilities	-	-	32,855,980,747
Total liabilities as per consolidated statement of financial position			<u>32,855,980,747</u>
For the year ended 30 June 2018:			
Segment assets for reportable segment	7,075,956,468	3,823,625,455	10,899,581,923
Unallocated corporate assets	-	-	37,750,457,178
Total assets as per consolidated statement of financial position			<u>48,650,039,101</u>
Segment liabilities for reportable segment	-	-	-
Unallocated corporate liabilities	-	-	27,866,952,062
Total liabilities as per consolidated statement of financial position			<u>27,866,952,062</u>

For the purposes of monitoring segment performance and allocating resources between segments

- all assets are held under unallocated corporate assets except property, plant and equipment, stores spares and loose tools, and stock in trade which are allocated to reportable segments; and
- all liabilities are held under unallocated corporate liabilities.

Other segment information

	Spinning	Weaving	Total
	----- Rupees -----		
For the year ended 30 June 2019			
Capital expenditure	<u>2,717,796,885</u>	<u>17,179,166</u>	<u>2,734,976,051</u>
<u>Depreciation/ amortisation</u>			
Cost of sales	976,829,689	150,115,558	1,126,945,247
Administrative expenses	27,323,875	4,448,073	31,771,948
	<u>1,004,153,564</u>	<u>154,563,631</u>	<u>1,158,717,195</u>



For the year ended 30 June 2018

Capital expenditure

Depreciation/ amortisation

Cost of sales

Administrative expenses

	Spinning	Weaving	Total
	Rupees		
Capital expenditure	1,611,216,824	26,774,891	1,637,991,715
<i>Depreciation/ amortisation</i>			
Cost of sales	830,354,571	166,600,698	996,955,269
Administrative expenses	21,115,551	3,238,599	24,444,430
	851,470,122	169,839,297	1,021,399,699

46 Geographical information

The Group operates in one principal geographical area. The Group's gross revenue from external customers by geographical location is detailed below:

	Note	2019 Rupees	2018 Rupees
Domestic Sales	28	28,299,758,876	19,767,191,386
Export Sales	46.1	12,783,795,079	13,703,028,381
		41,083,553,955	33,470,219,767

46.1 Country wise export sales are as under

China		6,736,392,280	6,953,633,184
United States of America		1,512,493,143	1,020,606,120
Portugal		752,736,085	692,895,117
Turkey		255,953,798	683,225,693
Hong Kong		110,058,482	709,002,916
Germany		467,451,117	360,845,895
Singapore		157,481,663	358,165,190
Italy		185,329,846	338,485,475
Bangladesh		111,337,088	329,332,516
Belgium		6,605,442	223,651,275
Poland		137,007,707	224,164,236
Colombia		143,031,096	177,163,134
Korea		12,307,066	155,853,507
Others		748,080,300	732,127,364
Indirect exports	28.2	1,447,529,966	743,876,759
		12,783,795,079	13,703,028,381

46.1.1 All export sales during the year other than indirect are secured against letter of credit.

47 Capacity and production**Spinning:**

Number of spindles installed

Number of rotors and MVS spindles installed

Number of shifts worked

Unit I, II, III and IV

Subsidiary

	2019	2018
Number of spindles installed	238,404	237,156
Number of rotors and MVS spindles installed	4,572	3,132
<i>Number of shifts worked</i>		
Unit I, II, III and IV	1,094	1,094
Subsidiary	1,094	1,094



		2019	2018
Number of spindles - <i>shifts worked</i>		260,813,976	259,448,664
Capacity at 20's count	<i>Kgs.</i>	106,687,774	100,615,809
Actual production of all counts	<i>Kgs.</i>	92,842,742	90,500,289
Actual production converted into 20's count	<i>Kgs.</i>	108,112,731	101,339,903

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

		2019	2018
Weaving:			
Number of looms installed		224	224
Number of looms worked		224	224
Number of shifts worked		1,094	1,094
Standard cloth production	<i>Mtr.</i>	48,678,153	46,502,793
Actual cloth production	<i>Mtr.</i>	45,104,690	42,604,464

The utilization of available capacity below standard capacity of weaving is mainly due to normal maintenance.

48 Non adjusting event after consolidated statement of financial position date

The Board of Directors of the Holding Company in their meeting held on 26 September 2019 has proposed a final cash dividend of Rs. 10.50 per share (2018: Rs. 5.25 per share) for the year ended 30 June 2019 held for approval of the members in the Annual General Meeting to be held on 26 October 2019. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

49 Date of authorization of financial statements

These financial statements were authorized for issue on 26 September 2019 by the Board of Directors of the Holding Company.

50 General

50.1 Figures have been rounded off to the nearest Rupee, except stated otherwise.

50.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

(SHEIKH NASEEM AHMAD)
CHAIRMAN

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER



Pattern of Shareholding

As at June 30, 2019

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	11,654,187	38.85
Associated Companies, undertakings, and related parties	4,665,182	15.55
Banks Development Financial Institutions, Non-banking Financial Institutions	165,790	0.55
Modarba and Mutual Funds	1,787,302	5.96
Shareholders holding 10 %	10,447,861	34.83
General public	1,214,659	4.049
Others (Public Sector and government institutions)	65,019	0.22
Total	30,000,000	100



Fazal Cloth Mills Limited
Categories Detail
As At :30-June-2019

Category Name	Shares Held	%
Directors, Spouses & Minor Children		
SHEIKH NASEEM AHMAD (Chairman / Director)	8,820	0.029
FAZAL AHMED SHEIKH (Director)	2,041,611	6.805
FAISAL AHMED (Director)	2,039,865	6.800
FAHD MUKHTAR (Director)	579,715	1.932
AMIR NASEEM SHEIKH (Director)	82,828	0.015
MAHNAZ AMIR SHEIKH	4,447	0.276
ABDULLAH AMIR FAZAL S/O AMIR NASEEM SHEIKH	1,421,639	4.739
MUHAMMAD YOUSAF AMIR S/O AMIR NASEEM SHEIKH	1,421,638	4.739
MUHAMMAD MUKHTAR SHEIKH S/O FAZAL AHMAD SHEIKH	1,012,969	3.377
ASAD MUHAMMAD SHEIKH S/O FAZAL AHMAD SHEIKH	1,012,970	3.377
MUHAMMAD FAZEEL MUKHTAR S/O FAISAL AHMED	675,895	2.253
IBRAHIM MUKHTAR S/O FAISAL AHMED	675,895	2.253
MOHID MUHAMMAD AHMED S/O FAISAL AHMED	675,895	2.253
	11,654,187	38.847
Associated Companies, Undertakings and Related Parties		
RELIANCE COMMODITIES (PVT) LTD	500	0.002
FATIMA HOLDING LTD	1,176,847	3.923
FAWAD AHMED MUKHTAR S/O SHEIKH MUKHTAR AHMAD	2,415,422	8.051
ALI MUKHTAR S/O (Fawad Ahmad Mukhtar)	536,207	1.787
ABBAS MUKHTAR S/O (Fawad Ahmad Mukhtar)	536,206	1.787
	4,665,182	15.551
Investment Bank / Co., NIT & ICP, Financial Institutions & Funds		
INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN(IDBP)	613	0.002
M/S. UNITED BANK LIMITED	788	0.003
IDBL (ICP UNIT)	1,141	0.004
NATIONAL BANK OF PAKISTAN	993	0.003
ESCORTS INVESTMENT BANK LIMITED	196	0.001
THE TRUSTEE, GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST	379	0.001
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	161,680	0.539
	165,790	0.553
Mudaraba & Mutual Funds		
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	5,673	0.019
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	12,406	0.041
CDC - TRUSTEE AKD OPPORTUNITY FUND	600	0.002
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,768,488	5.895
MOLASSES TRADING & EXPORT CO. LTD.	135	0.000
	1,787,302	5.958
Sahreholder holding 10 %		
FAZAL HOLDINGS PVT LTD (Associated Company)	7,346,541	24.488
REHMAN NASEEM (Director)	3,101,320	10.338
	10,447,861	34.826
Individual		
	1,214,659	4.049
Public Sector Companies & Govt Institutions		
M/S. FREEDOM ENTERPRISES (PVT) LTD	6,309	0.021
FAZAL VEGETABLE GHEE MILLS LTD	7,689	0.026
M/S. FATEH TEXTILE MILLS LIMITED	258	0.001
M/S. NAEEMS SECURITIES LIMITED	763	0.003
SARFRAZ MAHMOOD (PRIVATE) LTD	72	0.000
H M INVESTMENTS (PVT) LIMITED	45	0.000
AKRAM COTTON MILLS LIMITED	6	0.000
MAPLE LEAF CAPITAL LIMITED	1	0.000
THE DEPUTY ADMINISTRATOR (APO)	1,078	0.004
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION	47,130	0.157
FIKREES (SMC-PVT) LTD.	1,668	0.006
	65,019	0.217
	30,000,000	100.000



Pattern of Shareholding for Fazal Cloth Mills Limited

As on:- 30-Jun-2019

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
698	1 -	100	15,285	0.05
329	101 -	500	88,024	0.29
104	501 -	1000	76,881	0.26
114	1001 -	5000	241,775	0.81
22	5001 -	10000	148,656	0.50
8	10001 -	15000	90,299	0.30
2	15001 -	20000	34,696	0.12
1	25001 -	30000	25,384	0.08
3	40001 -	45000	132,368	0.44
2	45001 -	50000	93,930	0.31
1	55001 -	60000	59,804	0.20
1	80001 -	85000	82,828	0.28
1	130001 -	135000	131,191	0.44
1	160001 -	165000	161,680	0.54
1	315001 -	320000	320,000	1.07
3	535001 -	540000	1,605,037	5.35
3	670001 -	675000	2,024,102	6.75
2	1010001 -	1015000	2,022,355	6.74
1	1175001 -	1180000	1,176,847	3.92
1	1305001 -	1310000	1,306,976	4.36
2	1420001 -	1425000	2,843,277	9.48
1	1765001 -	1770000	1,768,488	5.89
2	1995001 -	2000000	3,993,810	13.31
1	2415001 -	2420000	2,415,422	8.05
1	3100001 -	3105000	3,101,320	10.34
1	6035001 -	6040000	6,039,565	20.13
1,306			30,000,000	100.00



Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015 dated September 09, 2015, Investors' attention is invited to the following information message



سرمایہ کاری سمجھداری کے ساتھ

www.jamapunji.pk

[jamapunji.pk](https://www.facebook.com/jamapunji.pk) [jamapunji_pk](https://twitter.com/jamapunji_pk)

سرمایہ کاری کی آگاہی کے لیے انقلابی اقدام



جہاں رہیں، آگاہ رہیں

SECP کی جانب سے پیش ہے "جمن پونجی" ایک ایسا ویب پورٹل جو آپ کو سرمایہ کاری سے متعلق ہر قسم کی معلومات فراہم کرتا ہے تاکہ آپ ایک اچھی سرمایہ کاری کا فیصلہ کر سکیں۔ جمن پونجی میڈیل ڈیزائنڈ اور اسلاک ہنڈلڈ، کیپٹل مارکیٹ، لیڈنگ کمپنیز اور انویسٹمنٹ بینک وغیرہ میں سرمایہ کاری سے متعلق آپ کے سوالات کے جوابات فراہم کرتا ہے، اور ساتھ ہی آن لائن ٹولز کے ذریعے کھیل ہی کھیل میں منافع بخش سرمایہ کاری کے سلسلے میں آپ کو رہنمائی بھی فراہم کرتا ہے۔

مفت آن لائن ٹولز:

- سیکر میٹر
- ہاک ٹریڈنگ
- رسک پروفائل
- ٹارجٹ سینٹر
- کیگولینر
- نیوز لیٹر سبسکرپشن

کھیل ہی کھیل
میں سیکھیں
سرمایہ کاری کا ہنر



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan



Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015 dated September 09, 2015, Investors' attention is invited to the following information message

www.jamapunji.pk

Be aware, Be alert, Be safe
Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

jamapunji.pk [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan



Consent Form For Transmission Of Annual Audited Financial Statements Along-With Notice Of AGM Through E-Mail.

Date: _____

Manager Shares,
Fazal Cloth Mills Limited,
Vision Consulting Limited,
3-C, LDA Flats Lawrence Road,
Lahore.042-36283096-97
Shares@vcl.com.pk

Subject: Consent For Transmission Of Annual Audited Financial Statements Along With Notice Of Annual General Meeting Through E-Mail

Dear Sir,

I hereby instruct the company M/s Fazal Cloth Mills Limited to send me the Company's Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report thereon along-with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

Sincerely

Signature of Shareholder: _____
Folio # / CDC account No: _____
Name of Shareholder: _____
Valid e-mail Address: _____
Contact No. : _____
CNIC No. : _____





Form of Proxy

FAZAL CLOTH MILLS LIMITED

I/We _____ of _____, being a Member of Fazal Cloth Mills Limited holding _____ ordinary shares, HEREBY APPOINT _____ of _____, or failing him/her _____ of _____ as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at 54th Annual General Meeting of the Company to be held at the Fatima Group Head Office, 110-E, Khayanban E Jinnah, Lahore Cantt, at 11:00 a.m. on Saturday 26 October 2019 and at any adjournment thereof. As witness my/our hand(s) this ____ day of _____ 2019.

Signed in the presence of:

Five Rupees
Revenue
Stamps

(Signature of Witness 1)
Name of Witness:
CNIC No.:
[][][][] - [][][][][][][][][] - [][]

(Signature of Witness 2)
Name of Witness:
CNIC No.:
[][][][] - [][][][][][][][][] - [][]

Address: _____

Address: _____

(Name of Block letters)
Folio No.

Signature of the Shareholder

- Notes:**
- The Member is requested:
 - to affix Revenue Stamp of Rs. 10/- at the place indicated above;
 - to sign in the same style of signature as is registered with the Company;
 - to write down his/her Folio Number.
 - For the appointment of the above Proxy to be valid, this instrument of proxy must be received at the Office of the Share Registrar of the Company at Share Registrar Department, Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road Lahore at least 48 hours before the time fixed for the Meeting.
 - Any alteration made in this instrument of proxy should be initialled by the person who signs it.
 - In the case of joint holders, the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
 - The Proxy must be a Member of the Company.
- For CDC Account Holders / Corporate Entities:**
In addition to the above, the following requirements have to be met:
- The proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
 - The Proxy must produce his original CNIC or original passport at the time of the Meeting.
 - In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (unless it has been provided earlier) alongwith proxy forms to the Share Registrars.





پراکسی فارم
54 واں سالانہ عمومی اجلاس

فضل کلاتھ ملز لمیٹڈ

میں / ہم ساکن بطور ممبر (ز) فضل کلاتھ ملز لمیٹڈ
 حاضر عام حصص، محترم / محترمہ ساکن یا ان کے حاضر نہ ہو سکنے کی صورت میں
 ساکن کو اپنے / ہمارے ایپا ر کمپنی کے مورخہ 26 اکتوبر 2019 بروز ہفتہ
 کو ہونے والے یا کسی بھی التوا کی صورت میں 54 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں /
 کرتے ہیں۔

بطور گواہ آج تاریخ اکتوبر 2019 کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے رسیدی
ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط
کے نمونے سے مشابہت ہونا لازمی ہے۔

سی ڈی سی اکاؤنٹ نمبر	فولیو نمبر
شکرت دار کی شناخت	شکرت دار کی شناخت
اکاؤنٹ نمبر	

اہم نکات:

- 1- ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئر رجسٹرار کے دفتر موصول ہو جانا چاہیے،
- 2- اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کا عدم قرار سے جائیں گے۔
- 3- سی ڈی سی اکاؤنٹ رکھنے والے / کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔
 - پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔
 - پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
 - کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اتارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کروانی ہوگی۔





Fazal Cloth Mills Limited

Head Office / Shares Department:

59/3, Abdali Road, Multan

Ph: +92 61 4579001-7, 4781637

Fax: +92 61 4541832

Registered Office:

69/7, Abid Majeed Road, Survey # 248/7

Lahore Cantt, Lahore.+92 (42) 36684909