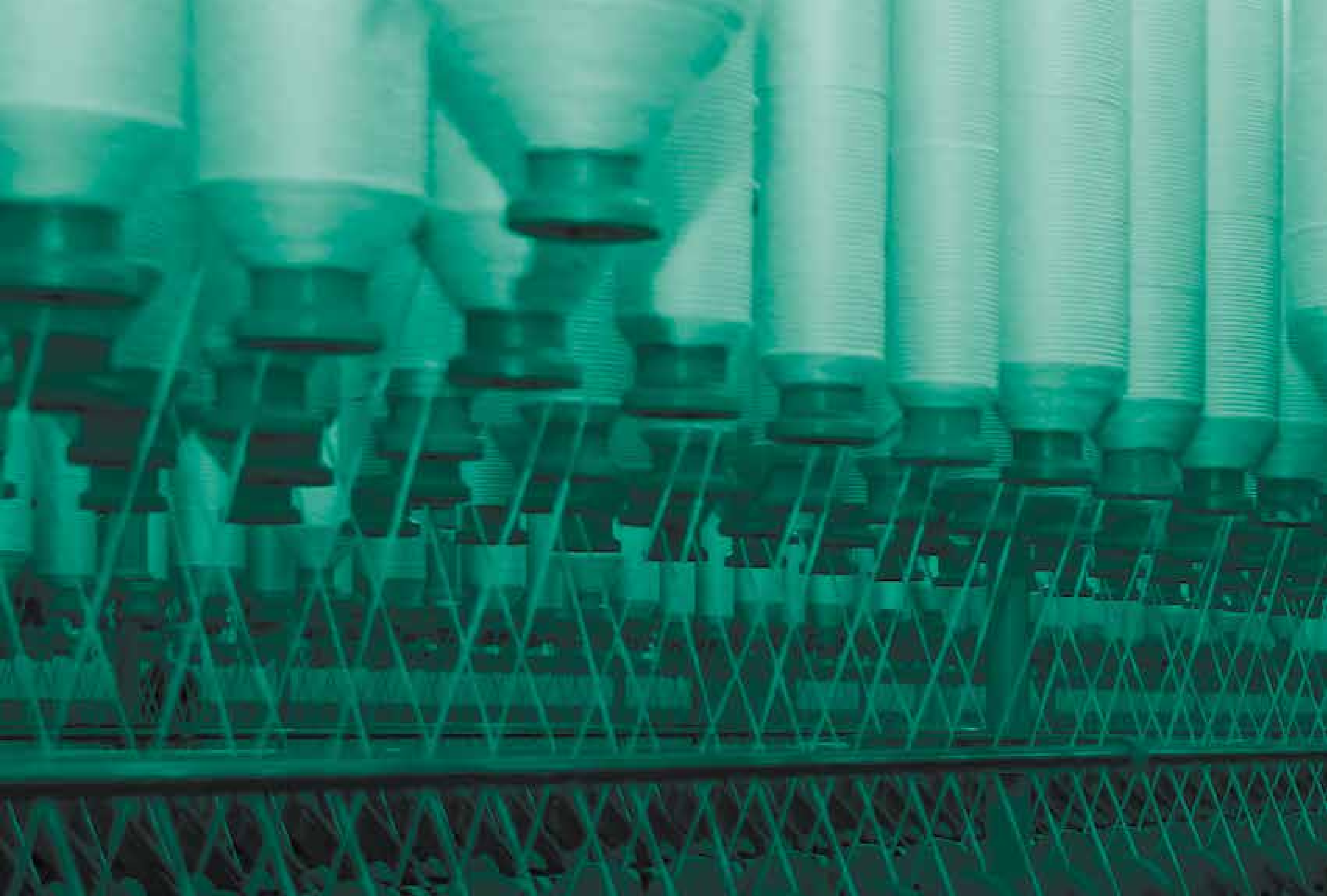
Reliance Weaving Mills Limited
A Fatima Group Company

Annual Report 2019

Committed to EXCELLENCE



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KEY FIGURES
YEAR ENDED JUNE 30, 2019

Sales
16,605 — 2019 — Rs. in milion
13,993 — 2018

EBITDA
11.31% — 2019 — Percentage
9.44% — 2018

Profit for the year
502,804 — 2019 — Rs. in milion
310,579 — 2018

EPS
16.32% — 2019 — Percentage
10.08% — 2018

Capital Expenditures
858,036 — 2019 — Rs. in milion
228,076 — 2018

Dividend per Share
3.50% — 2019 — Percentage
2.25% — 2018

Break up value of share
126.27 — 2019 — Rs.
110.41 — 2018

Total Assets
16,810 — 2019 — Rs. in milion
13,226 — 2018

GP RATIO
10.73% — 2019 — Percentage
9.67% — 2018

ROCE
8.43% — 2019 — Percentage
6.36% — 2018

COMPANY INFORMATION

BOARD OF DIRECTORS

Non-Executive Directors

Mr. Fawad Ahmed Mukhtar — Chairman
Mr. Fahd Mukhtar
Mrs. Fatima Fazal

Executive Directors

Mr. Fazal Ahmed Sheikh — CEO
Mr. Faisal Ahmed Mukhtar

Independent Directors

Dr. M. Shoukat Malik
Mr. Shahid Aziz

BOARD COMMITTEES

Audit Committee

Mr. Shahid Aziz — Chairman
Mr. Fahd Mukhtar — Member
Dr. M. Shoukat Malik — Member

HR & Remuneration Committee

Dr. M. Shoukat Malik — Chairman
Mr. Faisal Ahmed Mukhtar — Member
Mr. Fahd Mukhtar — Member

Risk Management Committee

Mr. Faisal Ahmed Mukhtar — Chairman
Mr. Shahid Aziz — Member
Dr. M. Shoukat Malik — Member

EXECUTIVE MANAGEMENT TEAM

Company Secretary
Mr. Aftab Ahmed Qaiser

Chief Financial Officer
Mr. Waheed Ahmed

GM Marketing
Khawaja Sajid
Mr. Aqeel Saifi

GM Weaving
Mr. Ikram Azeem

GM Spinning (Multan)
Mr. Muhammad Shoaib Alam

DGM Spinning (Rawat)
Mr. Salahudin Khattak

EXTERNAL AUDITORS

M/s. ShineWing Hameed Chaudhri & Co.,
Chartered Accountants
HM House, 7-Bank Square, Lahore.
E-mail: lhr@hccpk.com

SHARES REGISTRAR

M/s. CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e- Faisal,
Karachi-74400
E-mail: info@cdc.pak.com & kamran.ahmad@fatima-group.com

BANKERS/FINANCIAL INSTITUTIONS

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
United Bank Limited
National Bank of Pakistan
Meezan Bank Limited
Soneri Bank Limited
The Bank of Khyber
Habib Metropolitan Bank Limited
JS Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Samba Bank Limited
Al-Baraka Bank Pakistan Limited
Dubai Islamic Bank (Pakistan) Limited
The Bank of Punjab
Askari Bank Limited, Islamic Banking Services
Saudi Pak Industrial & Agricultural Investment Company Limited
Pak Brunei Investment Company Limited
Pak China Investment Company Limited
Pak Libya Holding Company (Pvt) Limited
First Habib Modaraba
Sindh Bank Limited
Summit Bank Limited
Bank Islami Pakistan Limited
Standard Chartered Bank Pakistan Limited
Faysal Bank Limited

SITE ADDRESSES

Unit # 1, 2, 4 & 5

Fazalpur Khanewal Road, Multan.
Phone & Fax: 061-6740020-3 & 061-6740039

Unit # 3

Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi.
Phone & Fax: 051-4611579-81 & 051-4611097

BUSINESS OFFICES

Registered Office

2nd Floor Trust Plaza, LMQ Road, Multan.
Tel: 061-4509700, 061-4509749
Fax: 061-4511677, 061-4584288
E-mail: info@fatima-group.com

Head Office

E-110, Khayaban-e-Jinnah Lahore Cantt.
Tel: 042-35909449, 042-111-328-462
Fax: 042-36621389
Website: www.fatima-group.com

VISION

To be a Company recognized for its art of Textile and best business practices.

MISSION & VALUES

The mission of Company is to operate state of the art Textile plants capable of producing yarn and fabrics.

The company will conduct its operations prudently assuring customer satisfaction and will provide profits and growth to its shareholders through:

- Manufacturing of yarn and fabrics as per the customers' requirements and market demand.
- Exploring the global market with special emphasis on Europe, USA and Fareast.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Recruiting, developing, motivating and retaining the personnel having exceptional ability and dedication by providing them good working conditions, performance based compensation, attractive benefit program and opportunity for growth.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

CORPORATE VALUES

These are the values that Reliance Weaving Mills Limited epitomizes, and are reflected in all our transactions and interactions. Congruence to these values has been a part of our business strategy. They are bound in the very fabric of our organization, shaped by organizational processes, procedures and practices.

Integrity

Our actions are driven by honesty, ethics, fairness and transparency.

Innovation

We encourage creativity and recognize new ideas.

Teamwork

We work collectively towards a common goal.

Health, Safety, Environment & CSR

We care for our people and the communities around us.

Customer Focus

We believe in listening to our customers and delivering value in our products and services.

Excellence

We strive to excel in everything we do.

Valuing People

We value our people as our greatest resource.

NOTICE OF THE 29th ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the shareholders of **RELIANCE WEAVING MILLS LIMITED** will be held on Monday, October 28, 2019, at 11:30 am at 2nd Floor, Trust Plaza, L.M.Q. Road, Multan, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on October 29, 2018.

2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2019.

3. To consider and approve final cash dividend for the year ended June 30, 2019 at PKR 3.50 per share i.e. 35 % as recommended by the Board of Directors.

4. To appoint Auditors for year ending June 30, 2020 and to fix their remuneration. The retiring Auditors, M/s. ShineWing Hameed Chaudhri, Chartered Accountants, being eligible, have offered themselves for re-appointment.

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

By order of the Board

Place: Multan
Dated: October 7, 2019

Aftab Ahmed Qaiser
Company Secretary

NOTES:

1. The Share Transfer Books will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e- Faisal, Karachi-74400, by the close of the business on October 21, 2019 will be treated in time for the purpose of above entitlement of 35% final cash dividend.

2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

3. An individual beneficial owner of shares from CDC must bring his/her original CNIC or Passport, Account and Participant's ID numbers to prove his/her identity. A representative of corporate members from CDC must bring the Board of Directors' Resolution and/ or Power of Attorney and specimen signatures of the nominee.

4. The members are requested to notify the change of address, Zakat Declaration and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar.

5. **Withholding Tax on Dividends:**

   Prevailing rates prescribed for deduction of withholding tax on the amount of dividend paid by the companies are as under:

   (a)For filers of income tax returns: @ 15%

   (b)For non-filers of income tax returns: @ 30%

   To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of @ 30%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers are advised to make sure that their names are entered into ATL before the date of approval of the cash dividend; otherwise, tax on their cash dividend will be deducted @ 30% instead of @ 15%.

   Withholding tax exemption from the dividend income shall only be allowed, if a copy of valid tax exemption certificate is made available to Company's Shares Registrar by close of business day as on October 21, 2019.

The shareholders who have joint shareholding held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Shares Registrar of the Company latest by the AGM date.

Folio/ CDC Account No.	Name of Shareholder	CNIC Number	Shareholding	Total Shares	Principal Joint Shareholder

For any further assistance, the members may contact our Shares Registrar or email at Aftab.Qaiser@fatima-group.com, Kamran.Ahmad@fatima-group.com.

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 the Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

6. **Payment of Cash Dividend through Electronic Mode:**

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into the bank designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Credit Mandate Form provided in the Annual Report and send it duly signed along with a copy of CNIC to our Shares Registrar, in case of physical shareholder. In case, shares are held in CDC, then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/ CDC account services.

7. **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 Shares Registrar at least seven (7) days prior to the date of the meeting as per the following format:

I/We, _______________ of _______________ being a member of Reliance Weaving Mills Limited, holder of _____________ ordinary shares as per registered Folio Number _____________ hereby opt for video conference facility at _____________

Signature of Member

8. **E-Voting:**

Members can exercise their right to poll subject to meeting of requirement of Section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

9. **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 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 May 31, 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. Accordingly, Annual Report of the Company for the year ended June 30, 2019 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Report, the same shall be provided free of cost within seven (7) 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.

COMPANY PROFILE

Reliance Weaving Mills Limited is a Public Limited Company incorporated on April 07, 1990 with its Registered Office at 2nd Floor, Trust Plaza, L.M.Q. Road, Multan and is listed on Pakistan Stock Exchange. The Head Office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore-Cantt.

The unit is a fully integrated yarns and fabrics production complex and is located at two sites that is Fazalpur Khanewal Road, Multan (Multan Unit) housed on 87 acres of land and the site area of Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi (Rawat Unit) comprises of 34 acres of land. The Housing Colony at Multan unit comprises of 228 bachelor rooms and 24 family quarters for workers and non-management cadre employees while there is an accommodation capacity for 500 workers and 76 rooms for bachelors at Rawat unit.

The spinning unit at Multan comprises of 42 ring frames consisting of 47,520 spindles with total annual production of 24,494 tons based on average count Ne 14. We have state of the art and modern technology, TOYOTA RX-240 and RX-300 E Draft capable of making wide range of counts. These machines can attain high speed of 21,000 RPM. Our ring machines are 2004, 2013 and 2014 model. Currently, we are producing yarn counts from 6/1 cdd to 21/1 cdd. The above unit produces Carded Yarn, Combed Yarn, Siro Yarn, Core Yarn, Dual Core Yarn, Slub Yarn, Dual Core+Slub Yarn and Core+Slub Yarns.

The Rawat unit consist of 38 Toyoda Japan (RY-5) spinning frame with total annual production capacity of 118,195 bags based on standard count of 20/1 cdd. The unit produces yarns namely Mélange, Marl, Slub, Injection Nappy and Fancy Draw Blend Yarns.

The Weaving unit comprises of 392 looms of high speed latest air jet machines of Tsudakoma (Japan) & picanol (Belgium) with total grey cloth production of (82.22 Million Meters) (SGM's) based on 53.35 picks per inch. We cater for home textiles and apparels from various variety of yarns blends such as Cotton/Polyester, Cotton/Viscose/ Linen, Fancy Yarns, Stretch Yarns and from different natural fibers & synthetic blends.

The unit is equipped with latest warping and sizing machine, air compressors, air conditioning / chiller system, boilers and self-gas engine power generation. The weaving facilities can produce plain (basket/mat weave, ribbed warp & wet), twill, satin, sateen weave, variation of basic weave such as creps, pile (cut/unused) double cloth, gauze (leno), swivel, tappet, dobby, Name jacquard & triaxial.

We are producing almost all types of Fancy Yarns and Grey Fabrics and have state-of-the-art high speed machines with latest facilities coupled with highly skilled team of dedicated workers and engineers to meet the challenges of textile sector.

We are constantly working to upgrade our plant by replacing old machines with latest high speed machines to be abreast with modern trends in the local textile industry and abroad to have competitive edge over our competitors to bring our Company in the forefront of the textile sector of Pakistan.

DIRECTORS' PROFILES

Mr. Fawad Ahmed Mukhtar

Chairman / Non-Executive Director

Mr. Fawad Ahmed Mukhtar is the Chairman of the Company. He has extensive experience in manufacturing and industrial management. In addition to being a successful business leader, he is also a renowned philanthropist. After graduation, he has spent 30 years developing his family business into a sizable conglomerate.

Mr. Mukhtar leads several community service initiatives of the Group including the Fatima Fertilizer Trust and Welfare Hospital, Fatima Fertilizer Education Society and School and Mukhtar A. Sheikh Welfare Trust, among others. He is also the Chairman of Fatima Energy Limited, Reliance Commodities (Private) Limited, Fatima Holding Limited, Fatima Sugar Mills Limited, Air One (Private) Limited, Fatima Management Company Limited and is the CEO of Fatima Fertilizer Company Limited, Pakarab Fertilizers Limited, Fatimafert Limited and Fatima Cement Limited. He is also the Director of Fatima Transmission Company Limited, Fatima Electric Company Limited and Pakarab Energy Limited. In addition, he is a member of the Board of Directors of the National Management Foundation, a sponsoring body of Lahore University of Management Sciences (LUMS).

Mr. Fazal Ahmed Sheikh

CEO / Executive Director

Mr. Fazal Ahmed Sheikh is the CEO of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He has played a strategic role in Fatima Group's expansion and success. He is also the CEO of Fatima Energy Limited, Fatima Electric Company Limited, Fatima Transmission Company Limited, Fatima Management Company Limited, Pakarab Energy Limited and Air One (Private) Limited. He is also a member of the Board of Directors at Fatima Fertilizer Company Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Reliance Commodities (Private) Limited, Fatima Sugar Mills Limited, Fatima Holding Limited, Fazal Cloth Mills Limited, Fatima Cement Limited and Fatima Trade Company Limited.

Mr. Faisal Ahmed Mukhtar

Executive Director

Mr. Faisal Ahmed Mukhtar is a Director of the Company. He is the former Mayor and City District Nazim of Multan, and continues to lead welfare efforts in the city. He is the Chief Executive Officer of Fatima Sugar Mills Limited and Fatima Trade Company Limited. He is also the Chairman of the Workers Welfare Board at Pakarab Fertilizers Limited and is a member of the Board of Directors at Fatima Fertilizer Company Limited, Pakarab Fertilizers Limited, Fatimafert Limited, Fatima Energy Limited, Fatima Electric Company Limited, Pakarab Energy Limited, Reliance Commodities (Private) Limited, Fazal Cloth Mills Limited, Air One (Private) Limited and Fatima Cement Limited. Additionally, he was also a member in the Provincial Finance Commission (Punjab), Steering Committee of Southern Punjab Development Project and Decentralization Support Program. Mr. Mukhtar has also served as the Chairman of Multan Development Authority and was also a member of a syndicate of Bahauddin Zakariya University, Multan.

Mr. Fahd Mukhtar

Non-Executive Director

Mr. Fahd Mukhtar is a Director of the Company. He holds a Bachelor of Economics Degree from the Philadelphia University of USA. He is the CEO of Fatima Packaging Limited and is a member of the Board of Directors at Fatima Energy Limited, Fazal Cloth Mills Limited and Fatima Sugar Mills Limited.

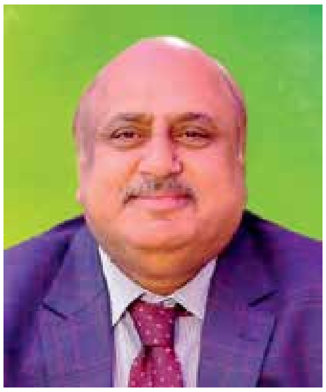
Dr. Muhammad Shaukat Malik

Independent Director

Dr. Muhammad Shaukat Malik has earned his MBA from Institute of Business Administration (IBA) Karachi in the year 1990 and Ph.D. in Business Administration. He is a Certified Corporate Director from the Institute of Chartered Accountants of Pakistan. Presently, he is serving as the Dean, Faculty of Commerce, Law and Business Administration, Bahauddin Zakariya University (BZU) Multan, Director, Institute of Banking & Finance (IBF), Director, Planning and Development and member on different statutory bodies of BZU. He is also working as Advisor to Punjab Public Service Commission.

Dr. Malik possesses rich experience of about 30 years in the field of Corporate Affairs, Human Resources, Finance and Administration etc. of various renowned institutions. Previously, he has served as Chairman Transport Committee, Director Human Resource Management & Community Relations and has been on the Board of Directors (Syndicate) & Member Finance & Planning Committee of BZU. Formerly, he has also worked as Director in the BOD of Punjab government owned Multan Waste Management Company for three years.

In addition, Dr. Malik is an author of more than 90 research papers published in National & International Journals / Newspapers of repute. He has presented his research papers at Oxford, Cambridge, and Harvard etc. He has won Emerald literati best author Award for his publication in 2018 from World No.01 Publishing Company i.e. Emerald Publishing Ltd U.K.



Mr. Shahid Aziz

Independent Director

He is a graduate from University of Punjab major in Economics and Political Science.

He attended different workshops and courses on the topic of Mutual Funds, Communication Skills etc. including workshop on Corporate Governance from LUMS. He possesses vast experience of working in different public and private sector Organizations since 1976. He was associated with NIT in 1980 to 1998 and then in 2003 till date. He is working as Zonal Head of North Zone. He possesses certificate of Director's Training Program from IBA Karachi.

He represented NIT on the Board of Directors of 13 Listed / Public Limited Companies of Pakistan in different time period.

MANAGEMENT PROFILE

Mr. Waheed Ahmed

Chief Financial Officer

Mr. Waheed Ahmed is a qualified Chartered Accountant having more than 18 years' experience of handling the Operational, Accounting, Tax and Financial matters of Listed Companies. He is with Reliance Weaving Mills Limited since August 2008.

Mr. Aftab Ahmed Qaiser

Company Secretary

Mr. Aftab Ahmed Qaiser is a qualified Chartered Accountant from the Institute of Chartered Accountants of England & Wales, UK and a fellow Member of the Institute of Chartered Accountants of Pakistan. Mr. Qaiser is a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He has illustrious career spanning over 41 years, in the fields of Financial Management, Internal Audit, Taxation, Legal and Corporate Affairs matters of Listed Companies. He has held several key positions in Company's like, Lawrencepur Woolen and Textile Mills Limited, The Burewala Textile Mills Limited and Dawood Hercules Chemicals Limited. He is part of Fatima Group since March 2014.

Khawaja Sajid

General Manager Marketing

Khawaja Sajid is the General Manager in Marketing Department. He has 27 years of diversified marketing experience in different products of textile and carries a successful leadership experience in this portfolio. He worked with the reputed textile companies of Pakistan. He holds the Master Degree in Business Administration from Baha-ud-Din Zakariya University, Multan. Mr. Sajid joined Reliance Weaving Mills Limited in 2004 and remains devoted till today.

Mr. Aqeel Saifi

General Manager Marketing

Mr. Aqeel Saifi holds a Master's degree in Business Administration from Imperial College of Business Studies and B.Sc (Hons) Degree in Computer Sciences from FAST – NUCES. He has been attached to the textile industry for over 15 years, working with well reputed textiles organizations of Pakistan. He is with Reliance Weaving Mills Limited since August 2015.

Ikram Azeem

General Manager (Weaving)

Mr. Ikram Azeem holds B.Sc (Textile Engineering) degree with specialization in Weaving from National Textile University, Faisalabad. He has total field experience of 23 years by working on different types of looms, (PICANOL Air Jet Loom, Tsudakoma Air Jet Loom and Toyota Air Jet Loom). In addition, he got technical training of TSUDAKOM Air Jet Loom from Japan and Picanol Air Jet Loom from Belgium. He is a part of this organization since 2000.

Mr. Muhammad Shoaib Alam

General Manager (Spinning)

Mr. Muhammad Shoaid Alam holds B.Sc. Textile (Spinning) Degree from University of Engineering & Technology Lahore. He was Vice President of Spinning Society. He is part of this Group since the execution of this Unit. He has experience of managing coarse and fine count mills, ranging from 6/1 to 120/1 on various types of machinery setups and producing different types of yarn from GIZA, PIMA and Brazalian Cotton. He also got training for blow room and card from Reiter in Winterthru, Switzerland.

CHAIRMAN'S REVIEW

Fawad Ahmed Mukhtar
Chairman

ON THE OVERALL PERFORMANCE AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE OBJECTIVES OF THE COMPANY PURSUANT TO SECTION 192(4) OF THE COMPANIES ACT, 2017.

The Company complies with all the requirements set out in the Companies Act, 2017 ("the Act") and the Listed Companies (Code of Corporate Governance) Regulations, ("the CCG") with respect to the composition, procedures and meetings of the Board of Directors and its Committees. As required under CCG, an annual evaluation of the Board is carried out on the basis of a self-assessment questionnaire to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set by the Company.

The evaluation provides the Board with an opportunity to review the balance skills, experience, diversity and perspectives. The size and composition of the Board is adequate to govern the Board procedures.

The Board members effectively bring diversity to the Board and constitute a mix of Independent and Non-Executive Directors. The Non-Executive and Independent Directors were equally involved in important Board decisions. The Board has effectively set the tone at the top, by putting in place a transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of CCG and by promoting ethical and fair behavior across the Company.

The Board is well assisted by two committees namely the Board Audit Committee and the Human Resource & Remuneration Committee to support its decision-making in their respective domains. The Board Audit Committee provides an oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws & regulations. The Human Resource & Remuneration Committee assists the Board in establishing sound & effective employee's development program, recognizing & creating future leaders, developing workforce and improving their skills through training to increase the productivity and quality of work. We believe the our strength lies in our employees who are the most precious assets of the Company.

The Board members diligently performed their duties and thoroughly review, discuss and approve business strategies, corporate objectives, budget plans, financial statements and other reports.

Lastly, I would like to recognize the contribution made by fellow Directors and would like to thank our shareholders, business associates, government authorities and regulators for their prudent support and guidance to the Company.

چیئرمین کا جائزہ

کمپنیز ایکٹ 2017 کے سیکشن 192(4) کے تحت کمپنی کے مقاصد کے حصول میں بورڈ کی طرف سے ادا کردہ کردار کی مجموعی کارکردگی اور تاثیر۔

کمپنی بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے سلسلے میں طے کردہ تمام ضروریات میں کمپنیز ایکٹ، 2017 ("دی ایکٹ") اور درج فہرست کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، (سی سی جی) کی تعمیل کرتی ہے۔ جیسا کہ سی سی جی کے تحت مطلوب ہے، کمپنی کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص ایک خود تشخیص سوالنامے کی بنیاد پر کی جاتی ہے تاکہ اس بات کا یقین کیا جاسکے کہ بورڈ کی مجموعی کارکردگی اور تاثیر کی پیمائش اور بینچ مارک کمپنی کی طرف سے مقرر کردہ مقاصد کے تناظر میں توقعات کے مطابق ہے۔

تشخیص بورڈ کو توازن کی مہارت، تجربہ، تنوع اور نقطہ نظر کا جائزہ لینے کا ایک موقع فراہم کرتی ہے۔ بورڈ کے طریقہ کار پر گورننس کے لئے بورڈ کا سائز اور تشکیل کافی ہے۔

بورڈ کے ممبران بورڈ میں مؤثر طریقے سے تنوع لاتے ہیں اور آزاد اور نان ایگزیکٹو ڈائریکٹرز کا مرکب تشکیل دیتے ہیں۔ بورڈ کے اہم فیصلوں میں نان ایگزیکٹو اور آزاد ڈائریکٹرز برابر کے شریک ہوتے ہیں۔ بورڈ نے موثر انداز میں گورننس کے شفاف اور مضبوط نظام کو قائم کرتے ہوئے خود کو سرفہرست رکھا ہے۔ یہ موثر طریقہ کنٹرول ماحول قائم کرنے، سی سی جی کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ سلوک کو فروغ دینے سے حاصل ہوتا ہے۔

بورڈ کو دو کمیٹیوں یعنی بورڈ آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ریمونیشن کمیٹی کے ذریعہ ان کے اپنے ڈومینز میں فیصلے کرنے میں معاونت حاصل ہے۔ بورڈ آڈٹ کمیٹی مالی رپورٹنگ کے عمل، آڈٹ کے عمل، اندرونی کنٹرول کے نظام اور قوانین اور ضوابط کی تعمیل کی نگرانی فراہم کرتی ہے۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی بورڈ کو مستحکم اور موثر ملازمین کے ترقیاتی پروگرام کے قیام، آئندہ رہنماؤں کی شناخت اور تخلیق، افرادی قوت کی ترقی اور ان کے کام کے معیار اور صلاحیتوں کو تربیت کے ذریعے بہتر بنانے میں معاونت کرتی ہے۔ ہماری طاقت ہمارے ملازمین میں ہے جو کمپنی کا سب سے قیمتی اثاثہ ہیں۔

بورڈ ممبران نے تندہی سے اپنے فرائض انجام دیئے اور کاروباری حکمت عملیوں، کارپوریٹ مقاصد، بجٹ کے منصوبوں، مالی بیانات اور دیگر رپورٹس کا پورا جائزہ لیا اور منظوری دی۔

آخر میں، میں ساتھی ڈائریکٹرز کی طرف سے دی گئی تجاویز کو متعارف کروانا چاہتا ہوں اور اپنے حصص یافتگان، کاروباری ساتھیوں، سرکاری حکام اور ریگولیٹرز کے تعاون اور رہنمائی کرنے پر ان کا شکریہ ادا کرنا چاہتا ہوں۔

CREDIT RATING RELIANCE WEAVING MILLS LIMITED

PAKISTAN CREDIT RATING AGENCY

LONG TERM

A-

SHORT TERM

A2

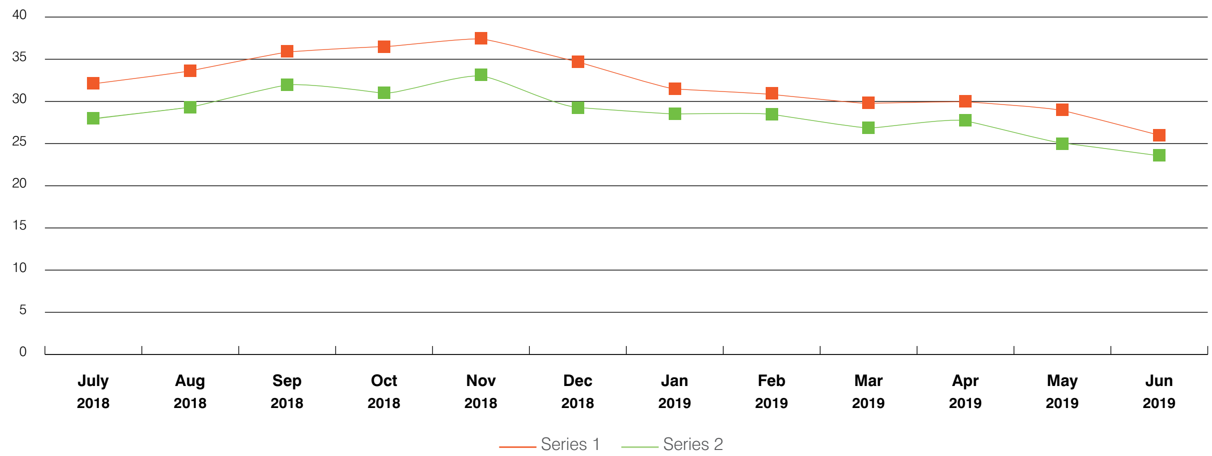
CERTIFICATIONS

MARKET PRICE DATA

The following table show month end wise share price of the company that prevailed during the financial year 2018-19 and 2017-18 in PSX:

	2018-19		2017-18	
Month	High	Low	High	Low
July	32.14	28	44.1	25.56
August	33.61	29.3	40.49	34.5
September	35.95	32	40.79	35
October	36.5	31.02	40.4	34
November	37.48	33.15	35.5	29.85
December	34.7	29.23	35	29.1
January	31.48	28.55	34.47	30.33
February	30.94	28.47	37.97	31.25
March	29.85	26.86	34.99	28.85
April	30	27.79	32.59	29
May	29	25	30.5	27.5
June	25.99	23.61	30.79	28

SHARE PRICE ANALYSIS



DIRECTORS' REPORT TO THE SHAREHOLDERS

FINANCIAL RESULTS:

The Company earned after tax net profit of Rs. 502 million which shows improvement as compared to profit of Rs 310 million in last financial year. Current Year Company turnover has increased from Rs 13,913 million to Rs 16,605 million, so increase in turnover is 19%. EBITDA of the Company has improved from 1,312 million to 1,877 million which is 43 % increase as compared to last financial year. EPS of the Company has improved from Rs 10.08 to Rs 16.32.

Prices of yarn and fabric in domestic and export market has been increased 25% as compared to last year. The Company has earned exchange gain amounting Rs 307 million due to devaluation of PKR. Financial charges have also increased by Rs 369 million due to pile up of cotton stock and yarn at competitive prices along with increase of Kibor. Kibor has been increased from 7% to 13% last year due to which financial cost increased due to is Rs 210 million.

FUTURE OUTLOOK

The latest USDA report featured decreases to world production and mill-use figures. The global harvest forecast for 2019/20 dropped to 124.9 million, and the consumption forecast fell on bales to 121.7 million. Virtually all the additional accumulation in global stocks is expected to occur outside China. The prediction for ending stocks for the world-less-China is now 50.0 million bales. If realized, this would represent the largest volume of cotton held outside China on record.

U.S.-China trade dispute escalated further over the past month. In mid-August, the U.S. detailed plans for increasing tariffs on all goods that had not been covered by previous rounds of increases. The goods affected include apparel and home textiles. All the above developments emerged over the past month. The ability for the tariff dispute to change so quickly has been a

significant source of uncertainty across cotton supply chains. Uncertainty can postpone investment and order placement, and therefore can slow demand. Many of the world's largest economies have been experiencing slower growth over the past year. Uncertainty continues can be expected to influence macroeconomic conditions, cotton demand, and cotton prices.

The budget has two major implications for the textile industry. Firstly, the zero-rated tax regime of five export-oriented sectors is revoked, and 17% Sales Tax restored. Secondly, the duty-free imports of textile machinery have been allowed in this budget. The industry will suffer from severe liquidity issues as a result of the imposition of 17% Sales Tax. The cost of inputs has increased dramatically due to the devaluation of the Rupee and now this new financial crunch can severely damage the already lagging exports. The export industry will make the entire supply chain run into a cash flow problem.

OVER VIEW OF THE ECONOMY:

The highlights are as under:

a. The provisional GDP growth rate for FY 2019 is estimated at 3.29 percent;

b. The provisional agriculture sector growth is estimated at 0.85 percent;

c .Large Scale Manufacturing (LSM) decline by 2.06%;

d. During FY2019, the provisional growth in industrial sector has been estimated at only 1.40 percent;

e. Provisional estimates have shown that the services sector posted a growth of 4.71 percent;

f. Fiscal Deficit as percent of GDP was 5.0 percent as compared to 4.3 percent during the corresponding period of last year;

g. During July-April FY2019 headline inflation measured by CPI averaged at 7.00 percent against 3.77 percent during corresponding period of last year.

Sources:

- The highlights of the Pakistan Economic Survey for the year 2018-19 unveiled by then Advisor to Prime Minister on Finance by Mr. Hafeez Shiekh.
- Pakistan Economic Survey 2018-19 issued by Finance Division, Government of Pakistan.

TEXTILE INDUSTRY BACKGROUND / PERFORMANCE:

The highlights are as under:

a. Textile sector contributes 8.5% to the GDP of Pakistan;

b. The sector contributes nearly one-fourth of industrial value-added;

c. The textile industry is the second largest employment sector in Pakistan;

d. It provides 40% of the Industrial Labor Force;

e. Pakistan is the 8th largest exporter of textile commodities in Asia;

f. The export of textile products posted a growth of 12.8% as against last year;

g. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 59 percent in national exports;

h. extile is the most important manufacturing sector of Pakistan and has the largest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments;

i. During 2018-19, cotton production remained moderate at 9.861 million bales, a decrease of 17.5 percent over the last year's production of 11.946 million bales;

j. In 2018-2019, Pakistan's largest export industry was the textile industry, with hosiery and readymade garments contributing 544 billion PKR/3.47 billion USD to total trade.

Sources:

- The highlights of the Pakistan Economic Survey for the year 2018-19 unveiled by then Advisor to Prime Minister on Finance by Mr. Hafeez Sheikh.
- Ministry of Textile.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

The Board of Directors of the Company is fully cognizant of its responsibilities as laid down in the code of corporate governance issued by the Securities & Exchange Commission of Pakistan. The following statements are a manifestation of its commitment towards compliance with best practices of Code of Corporate Governance.

a. The financial statements together with the notes thereon have been drawn up in conformity with Companies Act, 2017. The financial statements prepared by the management of the Company present fairly its state of affairs the results of its operations, cash flows & changes in equity;

b. The Company has maintained proper books of account as required by the Companies Act, 2017;

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;

e. he system of internal control is sound in design and has been effectively implemented and monitored; There are no significant doubts upon the Company's ability to continue as a going concern;

f. There has been no material departure from the best practice of corporate Governance, as detailed in Listing Regulations;

g. As required by Code of Corporate Governance; the statement of pattern of shareholding, shares held by associated undertakings, and related persons have been given separately;

h. The information regarding outstanding taxes and levies as required by Listing Regulation is disclosed in the note to the financial statements;

i. The key operating and financial statistics for the last six years has been given separately.

MATERIAL CHANGES IN FINANCIAL STATEMENTS:

Sr. #	Particulars	Unit	30 June, 2019	30 June, 2018
A	Gross profit	%	10.73	9.67
B	Return on sales	%	3.03	2.22
C	Earnings/(Loss) per share	Rs.	16.32	10.08
D	Market value of a share	Rs.	24.49	30.49
E	Balance sheet footing	Rs.	16,813	13,267

MARKET CAPITALIZATION:

At the close of the year, the market capitalization of the Company stood at Rs. 754 million as against Rs. 939 million last year.

MODERNIZATION & EXPANSION:

Your Company is committed to modernize and expand production line according to rapidly changing technology in order to produce international quality products. The Company has established letter of credit for 50 high speeds Air Jet Picanol looms to diversify its product market mix.

OUTSTANDING TAXES AND DUTIES:

Details of outstanding taxes and duties are given in the financial statements.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the Company is growing. This year the Company contributed in the National Exchequer in the form of Federal Excise Duty, Sales Tax, Custom Duties, Income Tax, etc.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

Your Company considers CSR as a fundamental sustainable business practice to contribute voluntarily towards better society and strives to be a good corporate citizen. We have always shown strong commitment and support for public health and promotion of education. The Company is a permanent donor of reputable charity organizations including Mukhtar A. Sheikh Trust, which contributes towards the well-being of deprived people by setting-up Hospitals and Medical Camps etc. The free medical camps are set up in far flung areas of the Country where healthcare is very hard to access. Patients avail free medical check-up along with medicines.

EARNINGS PER SHARE:

Your Company's post-tax profit of Rs. 502 million translates into EPS of Rs. 16.32 as compared to Rs. 10.08 last year.

DIVIDEND:

The Board of directors has recommended a final cash dividend for the year ended June 30, 2019 at Rs. 3.50 per share.

BOARD OF DIRECTORS AND ITS COMPOSITION:

There were no changes in the composition of the Board of Directors. The Board comprises of eminent individuals with diverse experiences and expertise and is visionary persons. It comprises of two Executive Directors including the Chief Executive Officer, three Non-Executive Directors including the Chairman, two Independent Directors and a female Director.

Meetings of the Board of Directors:

Sr. #	Name of Participants	Designation	Attendance
1.	Mr. Fawad Ahmed Mukhtar	Chairman	3/5
2.	Mr. Fazal Ahmed Sheikh	CEO	4/5
3.	Mr. Faisal Ahmed Mukhtar	Director	5/5
4.	Mr. Fahd Mukhtar	Director	5/5
5.	Mrs. Fatima Fazal	Director	4/5
6.	Mr. Shahid Aziz	Director	5/5
7.	Dr. M. Shoukat Malik	Director	5/5

COMPOSITION OF THE BOARD AUDIT COMMITTEE:

The Audit Committee comprises of three Non-Executive Directors; the Chairperson being an Independent Non-Executive Director Dr. M. Shoukat Malik holds doctorate degree in Business Administration and Mr. Shahid Aziz has an experience of over 30 years in financial matters.

The composition of Audit Committee is as under:

1.	Mr. Shahid Aziz	Independent Non-Executive Director	Chairperson
2.	Mr. Fahd Mukhtar	Non-Executive Director	Member
3.	Dr. M. Shoukat Malik	Independent Non-Executive Director	Member

The Board of directors has determined the terms of reference of the Audit Committee and provides adequate resources and authority to evaluate the Audit Committee to carry out its responsibilities effectively.

The Committee assists the Board of Directors to fulfill its Corporate & Risk Management responsibilities including the entity's financial reporting and internal control system.

Meetings of the Board Audit Committee:

Sr. #	Name of Participants	Designation	Attendance
1.	Mr. Shahid Aziz	Chairman	4/4
2.	Mr. Fahd Mukhtar	Member	4/4
3.	Dr. M. Shoukat Malik	Member	4/4

COMPOSITION OF HUMAN RESOURCE & REMUNERATION COMMITTEE:

Two members of the Human Resource & Remuneration Committee are Non-Executive Directors.
The Composition of the Committee is as under:

1.	Dr. M. Shoukat Malik	Independent Non-Executive Director	Chairperson
2.	Mr. Faisal Ahmed Mukhtar	Executive Director	Member
3.	Mr. Fahd Mukhtar	Non-Executive Director	Member

The Committee focuses on risks in its area of human resources, including assessment of Compensation Structure & amount to ensure availability of talented functionaries in each area of critical Company operation.

The Board of Directors has determined the Terms of Reference of Human Resource & Remuneration Committee, which includes recommendation on Human Resource Management, Organizational Development, Training and Management Succession.

Meetings of HR & Remuneration Committee:

Sr. #	Name of Participants	Designation	Attendance
1.	Dr. M. Shoukat Malik	Chairman	1/1
2.	Mr. Faisal Ahmed Mukhtar	Member	1/1
3.	Mr. Fahd Mukhtar	Member	-

COMPOSITION OF RISK MANAGEMENT COMMITTEE:

The role of Risk Management Committee (RMC) is to provide entrepreneurial leadership for the Company within the framework of prudent and effective controls, which enables the Committee to identify the risk for effective management. The RMC must have strong oversight of Company's specific risk vital to enhance the Company's future through well guided decision making in complex situations in the fields of Marketing, Finance, Operations, IT, Human Resource, Regulatory/Legal Compliance and Engineering. The composition of the Committee is as under:

1.	Mr. Faisal Ahmed Mukhtar	Executive Director	Chairperson
2.	Dr. M. Shoukat Malik	Independent Non-Executive Director	Member
3.	Mr. Shahid Aziz	Independent Non-Executive Director	Member

The Board will oversee the Risk Management process primarily through Internal Audit Department which will monitor the Company's risk management quarterly or more frequently as and when required.

Terms of Reference of the Risk Management Committee:

The Terms of Reference of the Committee shall include but will not be limited to the following:

- Identification of Showstoppers, Primary Risks, Contingency Risks, Housekeeping Risks, and Acceptable Risks and its possible treatment such as Risk avoidance reduction (mitigation) transfer and acceptance (Retention);
- Define and fix the risk appetite of the organization and its approval by the board of directors (Risk Tolerance Limits);
- Review and assess the effectiveness of the Company's Risk Management processes and recommend improvements;

- Identification of possible risks in a capital investment plans and its justification under Investment Appraisal Technique such as Pay-back Period, Internal Rate of Return and Net Present Value Method;
- Periodical monitoring of the implemented risks controls through coordination with internal audit function.

DISCLOSURE RELATING TO REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULARS OF EMPLOYEES:

The Executive Directors including the CEO do not receive remuneration from the Company. The information required under Companies Act, 2017 in respect of Directors and executive employees is annexed in this report and is also available on the website of the Company (www.fatima-group.com).

STATEMENT OF ETHICS & BUSINESS PRACTICES:

The Statement of Business Ethics and Core Values provide the framework on which the Company conducts its business. The Board of Directors and the employees of the Company are the custodians of the excellent reputation for conducting our business according to the highest principles of business ethics. The following principles constitute the business ethics & the core values of the Company.

- Demonstrate honesty, integrity, fairness and ethical behavior when interacting within or outside the organization;
- Compliance with all Laws & Regulations as a good corporate citizen;
- Commitment to run the business in an environment that is sound & sustainable;
- Belief in the principles of reliability, credibility and transparency in business transactions;
- To be an equal opportunity employer;
- Safeguard shareholders interest;
- Ensure Health & Safety environment to protect our people, neighbors, customers & visitors;
- Encourage the business challenges;
- Investment in Human Capital;
- Proper financial disclosure of the conflict of interest transactions, if any;
- Accountability & responsibility;
- Good & effective public relations;
- Promotion of culture of excellence by exceeding the expectations of all stakeholders;
- Customer satisfaction for continued growth;
- Encourage employees to be creative & innovative;
- Respect for all stakeholders;
- Reliable & dependable supplier, enhancement of profitability to benefit shareholders, employees and the Government.

INTERNAL CONTROL:

Your Company has adequate internal control procedures commensurate with the size of operations and nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. Regular internal audit and checks ensure that responsibilities are executed effectively. The Board Audit Committee reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

INTERNAL AUDIT FUNCTION:

Internal Audit function is effectively operating within the framework set out in the Code of Corporate Governance and the charter defined by the Board Audit Committee. The Internal Audit function is progressing from a conventional function into a business partner and advisory role through proactive approach towards effective corporate governance through risk mitigation, adding value within the business process and creating synergies at the group level. The Board relies on the inputs and recommendations of the internal audit function through its Audit committee on the adequacy and effectiveness of internal controls in the organization and takes appropriate measures. The function is effectively utilizing risk control matrix, to prioritize and develop its annual plan and to strengthen the internal controls through periodic reviews of all the functions/ processes in the organization. The final reports with recommendations are submitted to Board Audit Committee and the implementation is ensured through vigorous follow-ups while regulatory and financial reporting compliance is ensured through independent reviews and coordination by External Auditors.

CODE OF CONDUCT:

As per the Corporate Governance guidelines, the Company has prepared a Code of Conduct and communicated throughout the Company apart from placing it on the its website.

HEALTH SAFETY & ENVIRONMENT:

The Company is a responsible environment-protecting corporate citizen and is aware of its dual responsibility to the environment and to the nation's progress. HSE performance of all segments remained excellent during the year under review. Strong commitment of plant team to HSE has enabled it to achieve all standards of HSE. Leading indicators and Management Safety Audit (MSA) criteria were updated in line with site requirement and new revamped "Permit to work" system implemented successfully. Comprehensive monitoring and self-auditing regimes remained in focus backed by internal and external audits. Management Safety Audits, Emergency Response, Plant Reliability Enhancement Program, Occupational Health & Industrial Hygiene and Customized Housekeeping Audits are few to be named. The HSE Policy is as under:

a. The health of its employees, contractors, customers and public is protected;

b. All activities are carried out safely;

c. Environment is protected;

d. Comply with Pakistan's relevant laws and regulations;

e. Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures;

f. Ensure that environmental performance meets legislative requirements;

g. Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment;

h. Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company;

i. Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company;

j. Integrate Risk Assessment with all business processes;

k. Promote prevention of pollution and proper handling and disposal of wastes;

l. Continuously improve our performance by improving the leadership, capability and capacity of our organization.

INFORMATION TECHNOLOGY:

Information Technology Division (ITD) continues to be a key component and provides an extensive range of computing and communication services, facilities and infrastructure for use by its employees. The ITD is aligned to the business needs of the organization, ensuring that the solutions delivered are relevant to the needs of the business. Our Vision involves strengthening decision making, using improved analytics and dashboards capability and as a strategy will focus on other state of the art applications, reduce paper footprint and increase its reach to customers by deploying latest technology.

WHISTLE BLOWING POLICY:

The Policy is intended to only those individuals who believe that they have discovered malpractice or behavior/ practice conflicting with the principle of code of conduct, which is fundamental to the professional integrity of the Company. It is not designed to question financial or business decision taken by the management of the Company. The scope of whistle blowing policy is as under:

a. Non-compliance to laws;
b. Fraud corruption or theft;
c. Nepotism;
d. Danger to public or employee's health and safety;
e. In-justice;
f. Deliberate falsification of information;
g. Harassment at workplace;
h. Discrimination on any ground;
i. Unethical conduct/ behavior.

The fundamental elements of whistle-blowing policy are as under:

a. All staff is protected from victimization, harassment or disciplinary action as a result of any disclosure made in good faith;
b. Disclosure to be in writing;
c. Anonymous disclosure will not be entertained;
d. Full investigation of disclosure will be made;
e. All disclosure to be treated confidentially;
f. Disciplinary action will be taken against wrong doers;
g. No adverse consequences to individual reporting in good faith;
h. Malicious allegation reported by individuals will have adverse consequences.

BUSINESS CONTINUITY PLANNING AND SAFETY PROCEDURES FOR DATA PROTECTION:

The Company has a comprehensive disaster recovery plan in place which entails backup facilities at different areas. This system is also subject to regular system checks to ensure continued effectiveness and uptime in case of any emergency. Detailed Standard Operating Procedures (SOPs) and ready reference checklists has also been developed where situations/areas of high risk that could hamper Company operations have been identified and explored in detail. Accordingly, action plans have been prepared to manage strategic business risks of the Company considering the general economic conditions, competitive realities and possible scenarios and ensuring that risk management process and culture are embedded throughout the Company.

INVESTOR GRIEVANCE POLICY:

The Company continuously engages with its investors through Company's secretariat and responds to their queries and request for information and their concerns / grievances. The Shares Registrar of the Company also timely addresses the investor's grievances.

ANNUAL REPORT ACCESSIBILITY:

The Company's website www.fatima-group.com offers a detailed overview and information of the following aspects and fulfills the mandatory requirements as laid down by the SECP for Listed Companies.

a. Business lines, its operational aspects and current activities ;
b. Management team;
c. Corporate Information;
d. Procurement activities;
e. Periodical financial results and other financial information;
f. Human Resource recruitment;
g. Media engagement.

AUDITORS AND AUDITORS' REPORT:

M/s. ShineWing Hameed Chaudhri & Co., Chartered Accountants, has completed the Annual Audit for the year June ended 30, 2019 and has issued un-qualified audit report. The Auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company and being eligible have offered them for reappointment for the year ending June 30, 2020.

The Audit Committee has recommended the re-appointment of M/s. ShineWing Hameed Chaudhri & Co., Chartered Accountants, as external auditors of the company for the forthcoming financial year at a fee mutually agreed upon.

PATTERN OF SHAREHOLDING:

Total number of the shareholders as at June 30, 2019 stood at 1,665 as against 1,638 last year.
The pattern of shareholding and categories of shareholders as at June 30, 2019, as required under the Companies Act, 2017 and Pakistan Stock Exchange Regulations have been annexed in this report.

BRIEF ROLES & RESPONSIBILITIES OF THE CHAIRMAN & THE CEO:

The Directors of your Company confirm that:

a The Chairman manages the Board business and acts as its facilitator & guide with a primary role to ensure that the Board is effective in its tasks of setting & implementing the Company's direction & strategy;

b. The Chairman represents the Non-Executive Directors of the Board and is entrusted with the leadership of the Board proceedings;

c. The Chairman acts as the Head of Board meetings and has the power to set the agenda and gives direction and sign the minutes of the Board meetings;

d. The CEO/Managing Director being the highest-ranking individual in the company carries the responsibility for overall success of the company by making top level managerial decisions.

OFFICES OF CHAIRMAN, CHIEF EXECUTIVE OFFICE:

In compliance with good governance practices, the position of Chairman of the Board of Directors and the office of the Chief Executive Officer are held by separate persons with clarity in their duties & responsibilities demarcations.

DIRECTORS' TRAINING PROGRAM:

All the Directors except one is exempt from Directors' Training Program for serving more than 15 years as a Board Member of a Listed Company or have been appropriately certified under the Directors' Training Program from SECP approved institutions. The remaining one director will get certification under the Directors' Training Program within the time limit.

ANNUAL EVALUATION ON BOARD PERFORMANCE:

An annual evaluation of the Board of the Directors of the Company is carried out on the basis of a self-assessment questionnaire to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set by the Company.

The evaluation provides the Board with an opportunity to review the balance skills, experience and diversity and perspectives. The size and composition of the Board is adequate to govern the Board procedures.

The criteria used in evaluation the performance is as under:

- Board Composition and organization;
- The Board's term of reference;
- Skills & expertise of the Board Members;
- Strategic Planning;
- The efficiency of Board meeting & the decision making process;
- Availability of guideline to the Management;
- Regular follow up to measure the impact of Board decisions;
- The quality of communication between the Board & the Company;
- Board Procedure;
- Appropriate constitution of Board Committees with

members possessing adequate technical knowhow and experience;

- Split of Chairman & CEO role;
- Quality of management reports received from Board Committees;
- Board & CEO effectiveness;
- Risk mitigation.

DETAILS ON INTERNAL FINANCIAL CONTROLS RELATED TO FINANCIAL STATEMENTS:

Your Company has put in place adequate internal financial controls with reference to the financial statements, some of which are outlined below.

a. The Company has adopted accounting policies which are in line with the Accounting Standards prescribed in IAS that continued to apply and other applicable provisions, if any, of the Companies Act, 2017 to the extent applicable. These are in accordance with generally accepted accounting principles in Pakistan. Changes in policies, if any, are approved by the Audit Committee in consultation with the Statutory Auditors.;

b. The policies to ensure uniform accounting treatment are prescribed to the associated companies or subsidiaries, if any;

c. The Company operates in Oracle EBS R-12 an ERP system and has many of its accounting records stored in an electronic form and backed up periodically. The ERP system is configured to ensure that all transactions are integrated seamlessly with the underlying books of account. The Company has automated processes to ensure accurate and timely updates of various master data in the underlying ERP system.;

d. The Company has a robust financial closure self–certification mechanism wherein the line managers certify adherence to various accounting policies, accounting hygiene and accuracy of provisions and other estimates;

e. The Company in preparing its financial statements makes judgments and estimates based on sound policies and uses external agencies to verify/ validate them as and when appropriate. The basis of such judgments and estimates are also approved by the Statutory Auditors and Audit Committee.;

f. The Management periodically reviews the financial performance of your Company against the approved plans across various parameters and takes necessary action, wherever necessary;

g. The Company has a code of conduct applicable to all its employees along with a Whistle Blowing Policy to report malpractices, if any.

ACKNOWLEDGEMENT:

The Directors of your Company would like to take this opportunity to thank the Securities & Exchange Commission of Pakistan, banks & financial institutions and insurance companies for their continued support and cooperation. The Directors would also like to express their gratitude and appreciation for the support provided by our valued customers and suppliers. We also thank our shareholders, who continue to place their trust and confidence in the Company and assure them our best efforts to ensure optimum utilization of their investment in the Company. Finally, the Directors also wish to place on record their appreciation for the devotion, loyalty and hard work of all cadres of employees towards the growth wellbeing and success of the Company.

For and on behalf of the Board

Faisal Ahmed Mukhtar	**Fazal Ahmed Sheikh**
Executive Director	Chief Executive Officer

Place: Lahore
Dated: September 30, 2019

ڈائریکٹرز کی رپورٹ

مالی نتائج:

کمپنی کا ٹیکس کے بعد خالص منافع 502 ملین روپے رہا جو گذشتہ مالی سال کے 310 ملین روپے منافع کے مقابلے میں بہتری ظاہر کرتا ہے۔ موجودہ سال کمپنی کا کاروبار 13,913 ملین روپے سے بڑھ کر 16,605 ملین روپے ہو گیا جس سے کاروبار میں 19 فیصد اضافہ ہوا۔ کمپنی کا EBITDA 1,312 ملین روپے سے بہتر ہو کر 1,877 ملین روپے ہو گیا ہے جو گذشتہ مالی سال کے مقابلہ میں 43 فیصد اضافہ ہے۔ کمپنی کا EPS 10.08 روپے سے 16.32 روپے تک بہتر ہوا ہے۔

ملکی اور برآمدی منڈی میں سوت اور تانے بانے کی قیمتوں میں گذشتہ سال کے مقابلہ میں 25 فیصد اضافہ ہوا۔ کمپنی نے PKR کی قدر میں کمی کی وجہ سے 307 ملین روپے کی زرمبادلہ حاصل کی ہے۔ KIBOR کے اضافے کے ساتھ مسابقتی قیمتوں پر روئی کے اسٹاک اور سوت کے ڈھیر لگنے سے مالی چارجز میں بھی 369 ملین روپے کا اضافہ ہوا۔ گذشتہ سال KIBOR کو 7 فیصد سے بڑھا کر 13 فیصد کر دیا گیا جس کی وجہ سے مالی لاگت میں 210 ملین روپے کا اضافہ ہوا ہے۔

مستقبل کا لائحہ عمل:

USDA کی تازہ ترین رپورٹ میں عالمی پیداوار اور مل استعمال کے اعداد و شمار میں کمی واقع ہوئی ہے۔ سال 2019-20 کے لئے عالمی سطح پر کاشتکاری کی پیش گوئی 124.9 ملین رہ گئی، اور کھپت کی پیش گوئی گانٹھوں پر، گر کر 121.7 ملین رہ گئی ہے۔ توقع کی جاتی ہے کہ عالمی اسٹاک اضافی طور پر تمام چین سے باہر جمع ہونے کی امید ہے۔ ورلڈ لیس چین کے لئے اب 50.0 ملین گانٹھیں اسٹاک کے ختم ہونے کی پیش گوئی ہے۔ اگر اندازہ لگایا جائے تو، یہ ریکارڈ میں چین کے باہر رکھی روئی کی سب سے بڑی مقدار کی نمائندگی کرے گا۔

پچھلے مہینے میں امریکی - چین تجارتی تنازعہ مزید بڑھ گیا۔ اگست کے وسط میں، امریکہ نے ان تمام اشیا پر محصولات بڑھانے کے لئے تفصیلات دیں، جن منصوبوں میں گذشتہ دوروں میں اضافہ نہیں ہوا تھا۔ متاثرہ سامان میں ملبوسات اور گھریلو ٹیکسٹائل شامل ہیں۔ مذکورہ بالا ساری پیش رفت پچھلے مہینے میں سامنے آئی۔ ٹیرف کے تنازعہ کو اتنی جلدی تبدیل کرنے کی اہلیت کپاس کی سپلائی چین میں غیر یقینی صورتحال کا ایک اہم ذریعہ رہی ہے۔ غیر یقینی صورتحال، سرمایہ کاری اور آرڈر کی ترتیب کو ملتوی کر سکتی ہے، اور اس وجہ سے طلب میں کمی آسکتی ہے۔ پچھلے ایک سال سے دنیا کی بہت سی بڑی معیشتیں سست ترقی کا سامنا کر رہی ہیں۔ غیر یقینی صورتحال برقرار رہنے سے معاشی حالات، کپاس کی طلب اور روئی کی قیمتوں پر اثر ہونے کی توقع کی جاسکتی ہے۔

ٹیکسٹائل کی صنعت کے لئے بجٹ میں دو بڑے مضمرات ہیں۔ اول، پانچ برآمدی شعبوں کی صفر کی شرح والے ٹیکس نظام کو منسوخ کر دیا گیا، اور 17 فیصد سیلز ٹیکس بحال کیا گیا۔ دوم، اس بجٹ میں ٹیکسٹائل مشینری کی ڈیوٹی فری درآمدات کی اجازت ہے۔ 17 فیصد سیلز ٹیکس لگانے کے نتیجے میں انڈسٹری کو لیکویڈیٹی کے شدید مسائل کا سامنا کرنا پڑے گا۔ روپے کی قدر میں کمی کی وجہ سے خام مال کی لاگت میں حیرت انگیز اضافہ ہوا ہے اور اب اس نئے مالی بحران نے پہلے سے پسماندہ برآمدات کو شدید نقصان پہنچایا ہے۔ برآمدی صنعت پوری سپلائی چین کو نقد بہاؤ کی دشواری میں مبتلا کر دے گی۔

شیئرز پر منافع:

بورڈ آف ڈائریکٹرز نے 30 جون، 2019 کو ختم ہوئے سال کے لئے حتمی نقد منافع 3.50 روپے فی شیئر کی سفارش کی ہے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز؛ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، بینکوں، مالیاتی اداروں اور انشورنس کمپنیوں کی مسلسل حمایت اور تعاون پر شکریہ ادا کرتے ہیں۔ ڈائریکٹرز اپنے قابل قدر گاہکوں اور سپلائرز کے ذریعہ فراہم کردہ امداد کے لئے بھی اظہار تشکر کرتے ہیں۔

ہم اپنے حصص یافتگان کا بھی شکریہ ادا کرتے ہیں، جو کمپنی پر اپنا اعتماد قائم رکھے ہوئے ہیں اور کمپنی میں ان کی سرمایہ کاری کے زیادہ سے زیادہ استعمال کو یقینی بنانے کے لئے اپنی پوری کوششوں کا یقین دلاتے ہیں۔ آخر میں، ڈائریکٹرز کمپنی کی نمو اور کامیابی کے سلسلے میں کمپنی کے تمام کارکنوں کی عقیدت، وفاداری اور محنت کے لئے ان کی تعریف کو ریکارڈ کرنے کی خواہش کرتے ہیں۔

بورڈ کے لئے اور اس کی طرف سے

فیصل احمد مختار
ڈائریکٹر

فضل احمد شیخ
چیف ایگزیکٹو آفیسر

مقام: لاہور
تاریخ: 30 ستمبر، 2019

VERTICAL ANALYSIS

Statement of Financial Position

	2019		2018		2017		2016		2015		2014	
PKR in 000"	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets												
Property, plant and equipment	6,227,003	37.04%	5,633,486	42%	5,371,086	48%	5,166,040	50%	5,377,184	53%	4,588,944	48%
Intangible asstes	2,728	0.02%	3,673	0.03%	4,620	0.04%	5,566	0.05%	6,513	0.06%	7,459	0.08%
Long term investments	763,601	4.54%	837,700	6.31%	855,744	7.57%	795,659	7.76%	812,370	8.01%	350,300	3.63%
Long term deposits	20,216	0.12%	21,019	0.16%	19,725	0.17%	15,572	0.15%	21,485	0.21%	22,579	0.23%
Deffered tax assets	71,221	0.42%	66,140	0.50%	55,179	0.49%	50,957	0.50%	57,218	0.56%	0.00%	
Total non current assets	7,084,769	42.15%	6,562,018	49.46%	6,306,354	55.79%	6,033,794	58.84%	6,274,770	61.84%	4,969,282	51.53%
Current assets												
Stores, spares and loose tools	204,857	1.22%	220,724	1.66%	182,141	1.61%	182,572	1.78%	183,564	1.81%	231,121	2.40%
Stock in trade	5,944,942	35.37%	3,222,131	24.29%	3,009,201	26.62%	2,346,349	22.88%	1,576,371	15.53%	2,383,599	24.72%
Trade debts	2,281,363	13.57%	2,005,913	15.12%	603,771	5.34%	528,178	5.15%	953,668	9.40%	1,028,675	10.67%
Loans and advances	401,679	2.39%	263,590	1.99%	308,055	2.73%	392,010	3.82%	385,795	3.80%	355,070	3.68%
Prepayments and other receivables	35,474	0.21%	27,214	0.21%	30,944	0.27%	31,096	0.30%	26,982	0.27%	71,748	0.74%
Short term investments	137,332	0.82%	106,535	0.80%	109,921	0.97%	110,578	1.08%	124,045	1.22%	76,130	0.79%
Tax refunds due from the government	606,596	3.61%	779,696	5.88%	656,267	5.81%	553,325	5.40%	551,312	5.43%	412,284	4.28%
Cash and bank balances	113,073	0.67%	79,087	0.60%	96,630	0.85%	77,390	0.75%	70,807	0.70%	115,085	1.19%
Total current assets	9,725,316	57.85%	6,704,890	50.54%	4,996,930	44.21%	4,221,498	41.16%	3,872,544	38.16%	4,673,712	48.47%
Total assets	16,810,085	100%	13,266,908	100%	11,303,284	100%	10,255,292	100%	10,147,314	100%	9,642,994	100%
Share capital and reserves												
Issued, subscribed and paid up capital	308,109	1.83%	308,109	2%	308,109	3%	308,109	3%	308,109	3%	308,109	3%
Reserves	165,798	0.99%	175,935	1%	179,321	2%	179,977	2%	191,534	2%	165,094	2%
Revaluation surplus on freehold land	949,486	5.65%	949,486	7%	634,325	6%	634,325	6%	634,325	6%	634,325	7%
Unappropriated profit	2,467,192	14.68%	1,968,262	15%	1,737,649	15%	1,651,175	16%	1,609,792	16%	1,787,680	19%
Total capital and reserve	3,890,585	23.14%	3,401,792	26%	2,859,404	25%	2,773,586	27%	2,743,760	27%	2,895,208	30%
Non-current liabilities												
Long term finances and other payables	1,826,834	10.87%	1,199,425	9%	1,762,343	16%	1,943,687	19%	2,077,764	20%	1,668,121	17%
Liabilities against asset subject to finance lease	8,829	0.05%	14,404	0%	1,270	0%	2,952	0%	24,159	0%	40,659	0%
Staff retirement benefits- gratuity	241,279	1.44%	267,705	2%	184,911	2%	154,870	2%	170,383	2%	96,055	1%
Total Non-current liabilities	2,076,942	12.36%	1,481,534	11%	1,948,524	17%	2,101,509	20%	2,272,306	22%	1,804,835	19%
Current liabilities												
Trade and other payables	2,012,704	11.97%	1,322,614	10%	871,920	8%	864,046	8%	662,907	7%	592,356	6%
Unclaimed dividend	17,336	0.10%	16,216	0%	5,060	0%	4,942	0%	26,282	0%	4,459	0%
Accrued mark-up	309,363	1.84%	159,678	1%	132,681	1%	103,341	1%	108,570	1%	123,872	1%
Short term borrowings	7,816,016	46.50%	6,080,169	46%	4,581,656	41%	3,559,808	35%	3,592,817	35%	3,759,413	39%
Current portion of non-current liabilities	529,479	3.15%	669,476	5%	833,443	7%	744,035	7%	730,303	7%	392,699	4%
Taxation	157,660	0.94%	135,429	1%	70,596	1%	104,025	1%	10,369	0%	70,152	1%
Total Current liabilities	10,842,558	64.50%	8,383,582	63.19%	6,495,356	57.46%	5,380,197	52.46%	5,131,248	50.57%	4,942,951	51.26%
Total equity and liabilities	16,810,085	100%	13,266,908	100%	11,303,284	100%	10,255,292	100%	10,147,314	100%	9,642,994	100%

HORIZONTAL ANALYSIS

Statement of Financial Position

	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14	2014	14 vs 13
PKR in 000”	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**
Non current Assets												
Property, plant and equipment	6,227,003	11%	5,633,486	5%	5,371,086	4%	5,166,040	-4%	5,377,184	17%	4,588,944	20.58%
Intangible asstes	2,728	-26%	3,673	-20%	4,620	-17%	5,566	-15%	6,513	-13%	7,459	-11.26%
Long term investments	763,601	-9%	837,700	-2%	855,744	8%	795,659	-2%	812,370	132%	350,300	-
Long term deposits	20,216	-4%	21,019	7%	19,725	27%	15,572	-28%	21,485	-5%	22,579	20.53%
Deffered tax assets	71,221	8%	66,140	20%	55,179	8%	50,957	-11%	57,218	-	0	-
Total non current assets	7,084,769	7.97%	6,562,018	4.05%	6,306,354	4.52%	6,033,794	-3.84%	6,274,770	26.27%	4,969,282	29.65%
Current assets												
Stores, spares and loose tools	204,857	-7.19%	220,724	21.18%	182,141	-0.24%	182,572	-0.54%	183,564	-20.58%	231,121	28.87%
Stock in trade	5,944,942	84.50%	3,222,131	7.08%	3,009,201	28.25%	2,346,349	48.84%	1,576,371	-33.87%	2,383,599	-3.39%
Trade debts	2,281,363	13.73%	2,005,913	232.23%	603,771	14.31%	528,178	-44.62%	953,668	-7.29%	1,028,675	20.11%
Loans and advances	401,679	52.39%	263,590	-14.43%	308,055	-21.42%	392,010	1.61%	385,795	8.65%	355,070	6.16%
Prepayments and other receivables	35,474	30.35%	27,214	-12.05%	30,944	-0.49%	31,096	15.25%	26,982	-62.39%	71,748	176.58%
Short term investments	137,332	28.91%	106,535	-3.08%	109,921	-0.59%	110,578	-10.86%	124,045	62.94%	76,130	16.79%
Tax refunds and export rebate due from the government	606,596	-22.20%	779,696	18.81%	656,267	18.60%	553,325	0.37%	551,312	33.72%	412,284	87.21%
Cash and bank balances	113,073	42.97%	79,087	-18.15%	96,630	24.86%	77,390	9.30%	70,807	-38.47%	115,085	57.46%
Total current assets	9,725,316	45.05%	6,704,890	34.18%	4,996,930	18.37%	4,221,498	9.01%	3,872,544	-17.14%	4,673,712	10.70%
Total assets	16,810,085	26.71%	13,266,908	17.37%	11,303,284	10.22%	10,255,292	1.06%	10,147,314	5.23%	9,642,994	19.72%
Share capital and reserves												
Issued, subscribed and paid up capital	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%
Reserves	165,798	-5.76%	175,935	-1.89%	179,321	-0.36%	179,977	-6.03%	191,534	16.02%	165,094	7.10%
Revaluation surplus on freehold land	949,486	0.00%	949,486	49.68%	634,325	0.00%	634,325	0.00%	634,325	0.00%	634,325	40.25%
Unappropriated profit	2,467,192	25.35%	1,968,262	13.27%	1,737,649	5.24%	1,651,175	2.57%	1,609,792	-9.95%	1,787,680	9.56%
Total capital and reserve	3,890,585	14.37%	3,401,792	18.97%	2,859,404	3.09%	2,773,586	1.09%	2,743,760	-5.23%	2,895,208	13.71%
Non-current liabilities												
Long term finances and other payables	1,826,834	52.31%	1,199,425	-31.94%	1,762,343	-9.33%	1,943,687	-6.45%	2,077,764	24.56%	1,668,121	61.39%
Liabilities against asset subject to finance lease	8,829	-38.70%	14,404	1034.17%	1,270	-56.98%	2,952	-87.78%	24,159	-40.58%	40,659	50.25%
Deferred liabilities	241,279	-9.87%	267,705	44.78%	184,911	19.40%	154,870	-9.10%	170,383	77.38%	96,055	37.85%
Total Non-current liabilities	2,076,942	40.19%	1,481,534	-23.97%	1,948,524	-7.28%	2,101,509	-7.52%	2,272,306	25.90%	1,804,835	59.67%
Current liabilities												
Trade and other payables	2,012,704	52.18%	1,322,614	51.69%	871,920	0.91%	864,046	30.34%	662,907	11.91%	592,356	3.83%
Unclaimed dividend	17,336	6.91%	16,216	220.47%	5,060	2.39%	4,942	-81.20%	26,282	489.41%	4,459	-99.22%
Accrued mark-up	309,363	93.74%	159,678	20.35%	132,681	28.39%	103,341	-4.82%	108,570	-12.35%	123,872	79.37%
Short term borrowings	7,816,016	28.55%	6,080,169	32.71%	4,581,656	28.71%	3,559,808	-0.92%	3,592,817	-4.43%	3,759,413	6.62%
Current portion of non-current liabilities	529,479	-20.91%	669,476	-19.67%	833,443	12.02%	744,035	1.88%	730,303	85.97%	392,699	84.64%
Taxation	157,660	16.42%	135,429	91.84%	70,596	0.00%	104,025	903.23%	10,369	-85.22%	70,152	0.00%
Total Current liabilities	10,842,558	29.33%	8,383,582	29.07%	6,495,356	20.73%	5,380,197	4.85%	5,131,248	3.81%	4,942,951	-0.12%
Total equity and liabilities	16,810,085	26.71%	13,266,908	17.37%	11,303,284	10.22%	10,255,292	1.06%	10,147,314	5.23%	9,642,994	11.80%

VERTICAL ANALYSIS

Statement of Profit or Loss

	2019		2018		2017		2016		2015		2014	
PKR in 000"	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%	PKR	%
Sales - net	16,605,159	100%	13,913,861	100%	11,341,734	100%	10,049,389	100%	10,878,062	100%	11,412,197	100%
Cost of sales	(14,822,654)	-89.27%	(12,568,217)	-90.33%	(10,357,639)	-91.32%	(9,162,497)	-91.17%	(10,036,196)	-92.26%	(10,290,412)	-90.2%
Gross profit	1,782,505	10.73%	1,345,644	9.67%	984,095	8.68%	886,892	8.83%	841,866	7.74%	1,121,785	9.8%
Distribution and marketing expenses	(155,954)	-0.94%	(143,633)	-1.03%	(116,530)	-1.03%	(106,736)	-1.06%	(162,883)	-1.50%	(160,760)	-1.4%
Administrative expenses	(188,640)	-1.14%	(166,022)	-1.19%	(146,018)	-1.29%	(145,757)	-1.45%	(148,971)	-1.37%	(170,856)	-1.5%
Other operating income	323,764	1.95%	99,348	0.71%	23,333	0.21%	26,271	0.26%	38,370	0.35%	33,547	0.3%
Other operating expenses	(68,117)	-0.41%	(50,012)	-0.36%	(25,574)	-0.23%	(12,221)	-0.12%	(18,966)	-0.17%	(31,478)	-0.3%
Profit from operations	1,693,558	10.20%	1,085,325	7.80%	719,306	6.34%	648,449	6.45%	549,416	5.05%	792,238	6.9%
Share of loss from associate	(70,781)	-0.43%	(21,670)	-0.16%	(12,001)	-0.11%	(11,033)	-0.11%	(3,595)	-0.03%	(109)	0.0%
Finance cost	(991,464)	-5.97%	(622,204)	-4.47%	(539,521)	-4.76%	(530,199)	-5.28%	(688,185)	-6.33%	(502,130)	-4.4%
Profit before tax	631,313	3.80%	441,451	3.17%	167,784	1.48%	107,217	1.07%	(142,364)	-1.31%	289,999	2.5%
Taxation	(128,508)	-0.77%	(130,872)	-0.94%	(66,566)	-0.59%	(104,025)	-1.04%	44,445	0.41%	(70,885)	-0.6%
Profit after tax	502,805	3.03%	310,579	2.23%	101,218	0.89%	3,192.00	0.03%	(97,919)	-0.90%	219,114	1.9%

HORIZONTAL ANALYSIS

Statement of Profit or Loss

	2019	19 vs 18	2018	18 vs17	2017	17 vs16	2016	16 vs15	2015	15 vs14	2014
PKR in 000"	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR	Change	PKR
Sales - net	16,605,159	19.34%	13,913,861	22.68%	11,341,734	12.86%	10,049,389	-7.62%	10,878,062	-4.68%	11,412,197
Cost of sales	(14,822,654)	17.94%	(12,568,217)	21.34%	(10,357,639)	13.04%	(9,162,497)	-8.71%	(10,036,196)	-2.47%	(10,290,412)
Gross profit	1,782,505	32.46%	1,345,644	36.74%	984,095	10.96%	886,892	5.35%	841,866	-24.95%	1,121,785
Distribution and marketing expenses	(155,954)	8.58%	(143,633)	23.26%	(116,530)	9.18%	(106,736)	-34.47%	(162,883)	1.32%	(160,760)
Administrative expenses	(188,640)	13.62%	(166,022)	13.70%	(146,018)	0.18%	(145,757)	-2.16%	(148,971)	-12.81%	(170,856)
Other operating income	323,764	225.89%	99,348	325.78%	23,333	-11.18%	26,271	-31.53%	38,370	14.38%	33,547
Other operating expenses	(68,117)	36.20%	(50,012)	95.56%	(25,574)	109.26%	(12,221)	-35.56%	(18,966)	-39.75%	(31,478)
Profit from operations	1,693,558	56.04%	1,085,325	50.89%	719,306	10.93%	648,449	18.03%	549,416	-30.65%	792,238
Share of loss from associate	(70,781)	226.63%	(21,670)	80.57%	(12,001)	8.77%	(11,033)	206.90%	(3,595)	3198.17%	(109)
Finance cost	(991,464)	59.35%	(622,204)	15.33%	(539,521)	1.76%	(530,199)	-22.96%	(688,185)	37.05%	(502,130)
Profit before tax	631,313	43.01%	441,451	163.11%	167,784	56.49%	107,217	-175.31%	(142,364)	-149.09%	289,999
Taxation	(128,508)	-1.81%	(130,872)	96.60%	(66,566)	-36.01%	(104,025)	-334.05%	44,445	-162.70%	(70,885)
Profit after tax	502,805	61.89%	310,579	206.84%	101,218	3070.99%	3,192	-103.26%	(97,919)	-144.69%	219,114

RATIO ANALYSIS

	2019	2018	2017	2016	2015	2014
Profitability Ratios						
Gross Profit Ratio	10.73%	9.67%	8.68%	8.83%	7.74%	9.83%
Net Profit Ratio	3.03%	2.23%	0.89%	0.03%	-0.90%	1.92%
EBITDA margin to sales	11.31%	9.44%	8.30%	8.78%	7.24%	8.59%
Return on Equity	12.92%	9.13%	3.54%	0.12%	-3.57%	7.57%
Return on Capital Employed	8.43%	6.36%	2.11%	0.07%	-1.95%	4.66%
Liquidity Ratios						
Current Ratio	0.90	0.80	0.77	0.78	0.75	0.95
Quick / Acid Test Ratio	0.33	0.39	0.31	0.30	0.41	0.39
Cash to current liabilities	0.01	0.01	0.01	0.01	0.01	0.02
Cash flow form operations to sales	(0.02)	0.01	0.02	0.09	0.16	0.07
Activity / Turnover Ratios						
Inventory Turnover ratio	3.23	4.03	3.87	4.67	3.91	4.24
No of days in inventory	112.87	90.48	94.36	78.13	93.47	86.03
Receivables turnover ratio	7.75	10.66	20.04	13.56	10.97	12.11
No of days in receivables	47.12	34.23	18.21	26.91	33.26	30.15
Total assets turnover ratio	1.10	1.13	1.06	0.99	0.99	1.28
Fixed assets turnover ratio	2.80	2.53	2.15	1.90	1.94	2.71
Investment / Market Ratios						
Earnings per share	16.32	10.08	3.29	0.10	(3.18)	7.12
Price earning ratio	1.50	3.02	13.86	251.80	(10.23)	5.42
Dividend yield	14%	7%	3%	2%	0%	4%
Dividend pay-out ratio	35%	22.5%	15%	5%	0%	15%
Dividend cover ratio	4.66	4.48	2.19	0.21	0.00	4.74
Cash dividend per share	3.5	2.25	1.5	0.5	0	1.5
Market value per share						
- Closing	24.49	30.49	45.60	25.18	32.52	38.57
- High	25.99	28.00	45.60	25.18	32.52	38.57
- Low	23.61	30.79	45.60	25.18	32.52	38.57
Break up value per share	126.27	110.41	92.80	90.02	68.46	73.38
Capital structure Ratios						
Long term Debt to Equity	0.61	0.55	0.91	0.97	1.02	0.71
Interest cover ratio	1.64	1.71	1.31	1.20	1.20	1.58

CASH FLOWS ANALYSIS

Rs. in '000'	2019	2018	2017	2016	2015	2014
Cash (used in) / generated from operations	(271,803)	90,275	261,873	859,368	1,760,996	833,722
Finance cost paid	(840,120)	(594,853)	(519,322)	(525,318)	(694,681)	(481,316)
Workers' (profit) participation payments	(23,608)	(9,796)	(19,615)	–	–	(31,778)
Taxes paid - net	(104,923)	(28,681)	(77,706)	(96,081)	(120,850)	(120,502)
Staff retirement benefits (gratuity) paid	(27,267)	(25,130)	(24,243)	(24,551)	(14,425)	(15,577)
	(995,917)	(658,459)	(640,886)	(645,950)	(829,956)	(649,173)
Net cash used in operating activities	(1,267,720)	(568,184)	(379,013)	213,418	931,040	184,549
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(858,037)	(228,076)	(445,336)	(33,875)	(1,033,194)	(783,245)
Sales proceed from disposals of fixed assets	9,459	30,310	6,266	1,120	4,164	2,068
Long term deposits	803	(1,294)	(4,153)	5,913	1,094	(3,846)
Long term investments made	(71,466)	15,905	(487,139)	(350,410)	–	–
	(847,774)	(199,060)	(514,689)	(10,937)	(1,515,075)	(1,135,433)
Net cash used in investing activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Long term finances - net	483,755	(732,303)	(76,766)	(112,886)	747,077	811,163
Lease finances - net	(1,918)	18,553	(16,853)	(28,665)	(16,330)	9,882
Short term borrowings - net	1,735,847	1,498,514	1,021,848	(33,008)	(166,596)	233,457
Dividend paid	(68,204)	(35,062)	(15,287)	(21,339)	(24,394)	(61,622)
Net cash generated from financing activities	2,149,480	749,702	912,942	(195,898)	539,757	992,880
Net increase / (decrease) in cash and cash equivalents	33,986	(17,543)	19,240	6,583	(44,278)	41,996
Cash and cash equivalents - at beginning of the year	79,087	96,630	77,390	70,807	115,085	73,089
Cash and cash equivalents - at end of the year	113,073	79,087	96,630	77,390	70,807	115,085

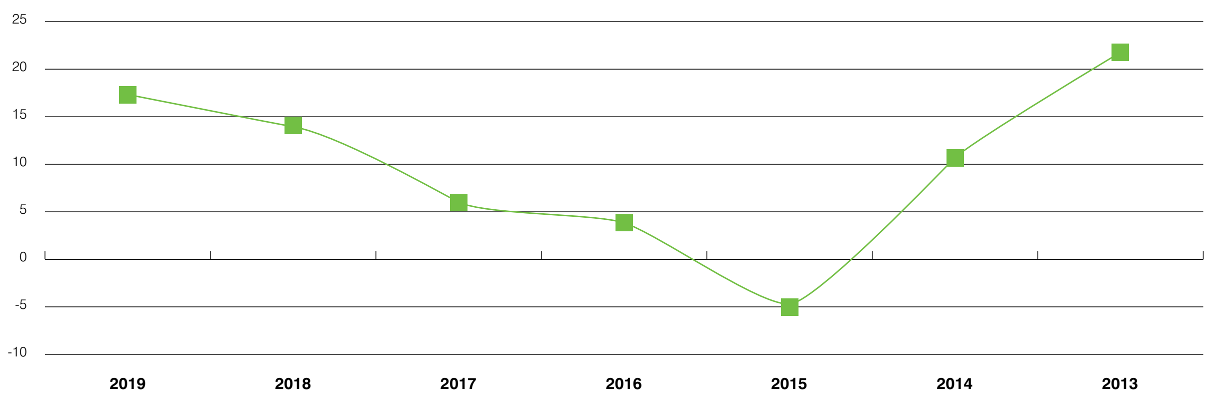
DUPONT ANALYSIS

	Return on Equity - (Equity multiplier x Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets)	Profit margin (Pro-tax profit / Sales)
	A = B*C	B	C = D*E	D	E
2019	17.31%	4.12	4.20%	1.10	3.80%
2018	14.10%	3.92	3.59%	1.13	3.17%
2017	5.96%	3.83	1.56%	1.05	1.48%
2016	3.89%	3.70	1.05%	0.99	1.07%
2015	-5.05%	3.51	-1.44%	1.10	-1.31%
2014	10.66%	3.25	3.28%	1.29	2.54%
2013	21.75%	3.16	6.88%	1.18	5.82%

Increased profit margins are the main the deriving factors in increased ROE over the years when compared with previous years.

Profit margin is increasing over the period because of selection of product mix yielding greater margins and exercising stringent controls over all critical & contemporary business processes to reduce costs.

GRAPHICAL PRESENTATION

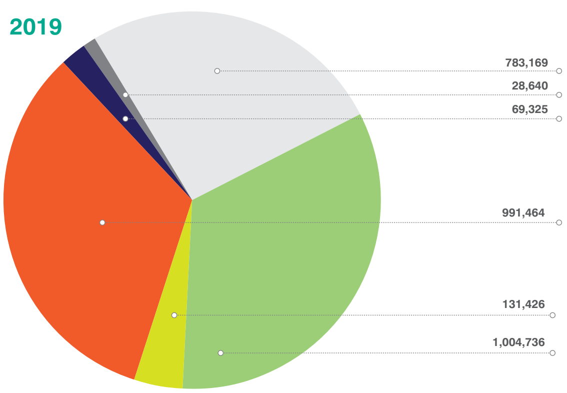


VALUE ADDITION STATEMENT

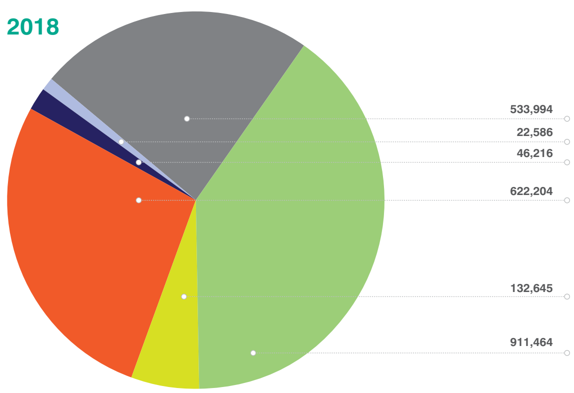
Rs. in '000'	2019	2018
WEALTH CREATION		
SALES - Gross	16,608,078	13,915,633
Less: Cost of Material and services	13,923,082	11,745,872
Add: Other Income	323,764	99,348
	3,008,760	2,269,109
WEALTH DISTRIBUTION		
Remuneration and benefits paid to employees	1,004,736	911,464
Contribution to National Exchequer (Income tax & Sales Tax)	131,426	132,645
To providers of finance (Finance Cost)	991,464	622,204
Dividend to ordinary shareholders	69,325	46,216
Donations towards health, education & welfare activities	28,640	22,586
Retained within business	783,169	533,994
	3,008,760	2,269,109

GRAPHICAL PRESENTATION

2019



2018



Employees Government Financiers Shareholders Society Reliance Weaving

SWOT ANALYSIS

STRENGTHS

- Average yearly production of cotton is ranked fourth in cotton producing countries and third in cotton consuming countries
- Textile caputures 46% of entire manufacturing and 38% of industrial employment
- Wages are in the lowest side in the world textile industry
- Textile manufacturing enjoys latest technology
- Strong support from government which involves technology upgrade, skill devopment, and research

OPPORTUNITIES

- Many areas like non woven, made up for health services and technical textile need to be explored
- Exploring the creativity of fashion designer and familiarize them with international fashion market
- The per acre yield of cotton can be easily increased by adopting nerw farming method.
- Joint venture with foreign companies

WEAKNESSES

- The pakistan textile industry is suffering from excess capacity in spinning sector.
- The per acre yield of cotton production is low
- Cotton farmers are not familiar with the recent developments in cotton farming
- Limited types of man made fibers are being produced which are less competitive for quality and cost
- The yarn sector is producing coarser counts and traditional yarns
- The fashion designers lack familiarity with international fashion styles and market trends.Fashion clothing attracts maximum profit in international market
- Domestic industry enjoy lowest freight rate in the world but at par line europeower services.The Average travelling speed is 28-40 km/hr as compare to 80-90 km/hr in Europe
- Usage of energy is inefficient in majority of sector.
- Hedge trading in cotton is still not available.

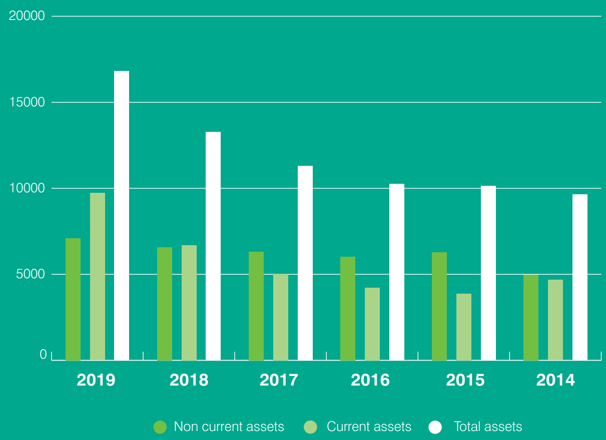
THREATS

- Macro economic and political instability
- Rising regional and international competition
- Low pace of human resource development
- Local industries are working without quality management system and standards
- New competitor in the market
- Shifting of capital to Bangladesh

GRAPHICAL ANALYSIS

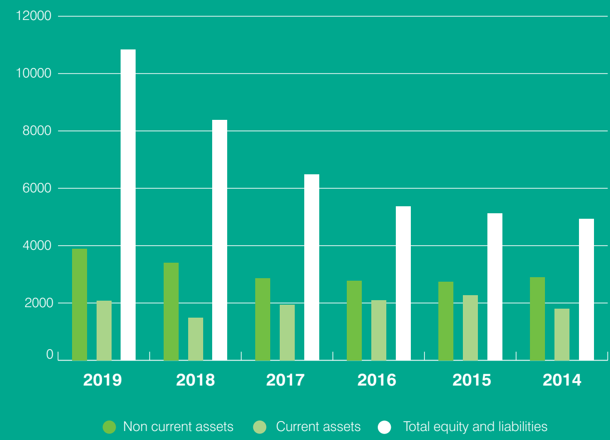
STATEMENT OF FINANCIAL POSTION ANALYSIS (ASSETS)

Rupees in Thousands



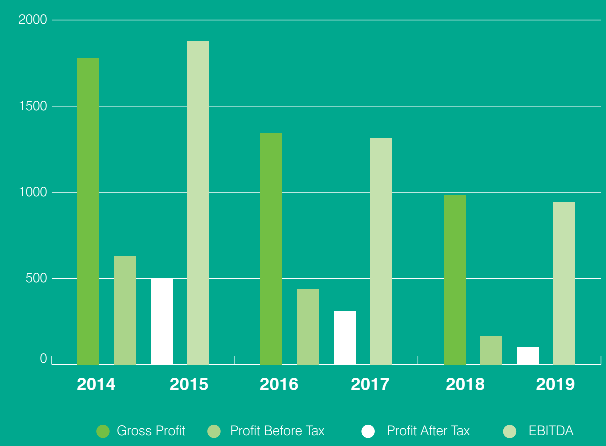
STATEMENT OF FINANCIAL POSTION ANALYSIS (EQUITY & LIABILITIES)

Rupees in Thousands



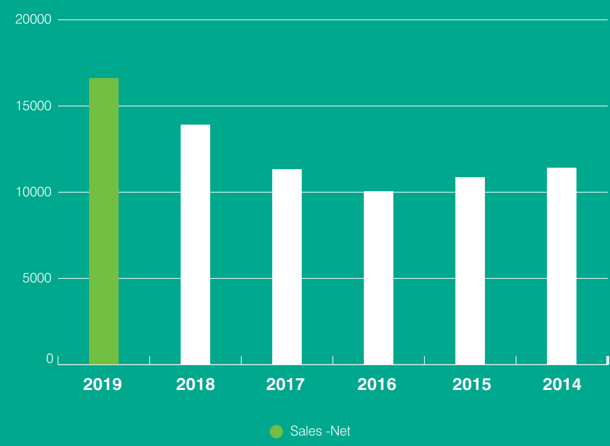
STATEMENT OF PROFIT OR LOSS ANALYSIS

Rupees in Thousand



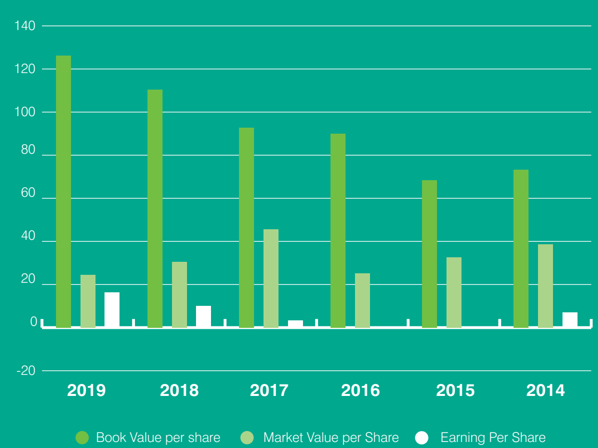
SALES TREND

Rupees in Thousand



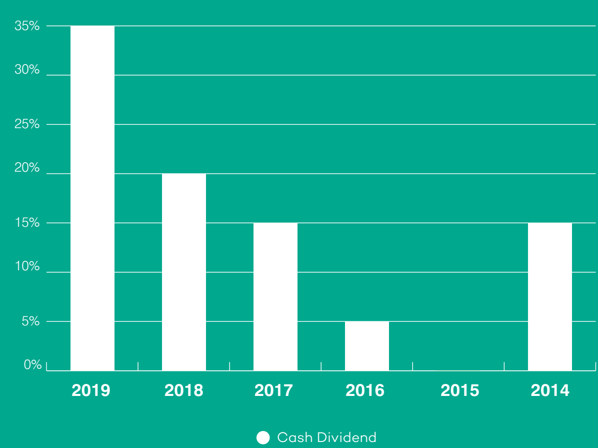
INVESTOR INFORMATION

Rupees



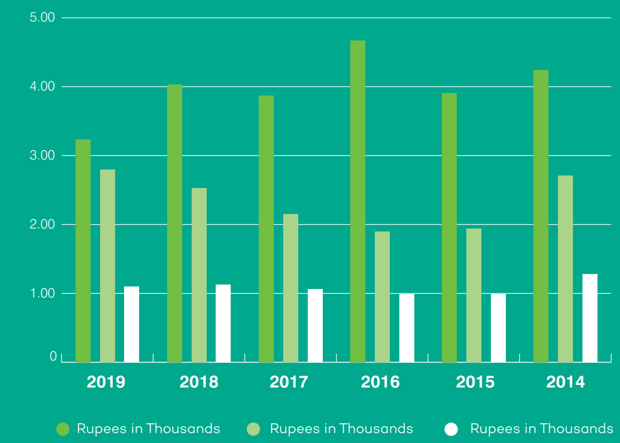
CASH DIVIDEND

Percentage



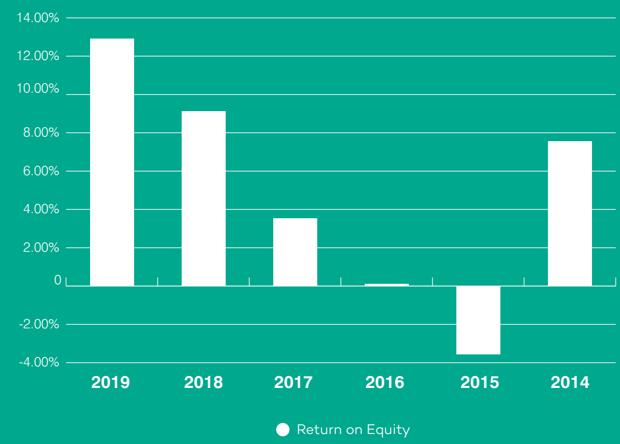
TURNOVER RATIO

Times

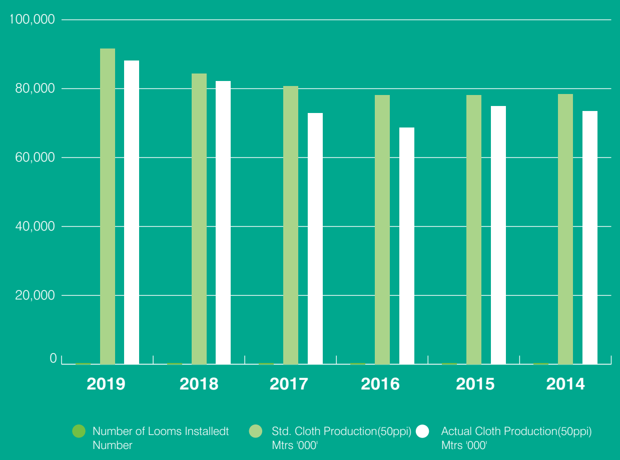


RETURN ON EQUITY

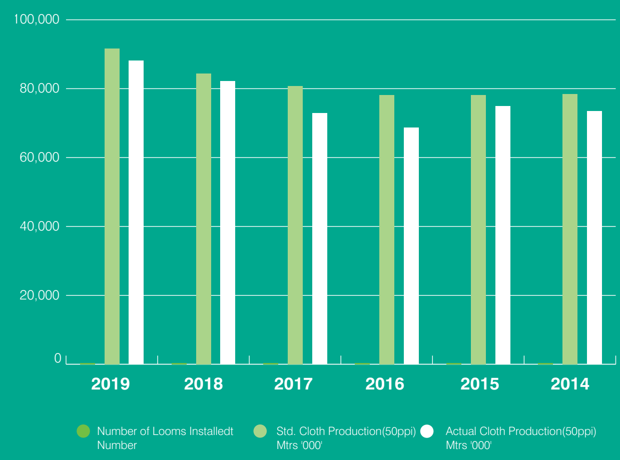
Percentage

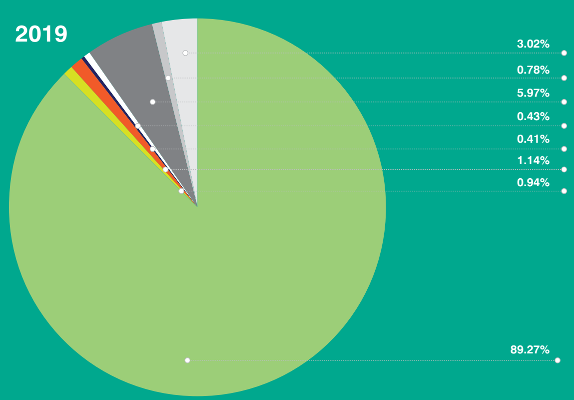


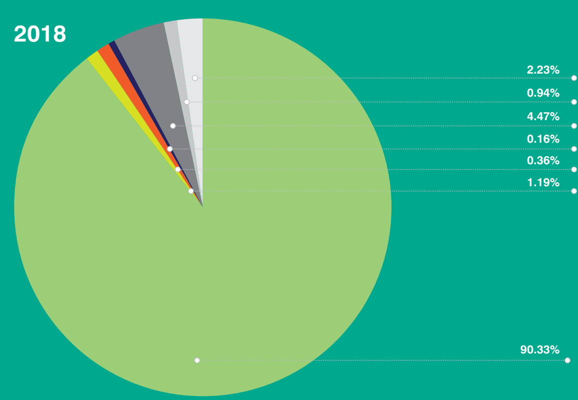
WEAVINNG



WEAVINNG







Cost of sales · Distribution and marketing exp. · Administration exp. · Other operating exp. · Loss on investment in associate · Finance cost · Taxation · Profit / (loss) after tax

STATEMENT OF COMPLIANCE

With Listed Companies (Code Of Corporate Governance) Regulations, 2019

Name of Company: **Reliance Weaving 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 are seven (7) as per the following:

a.Male:	6 Members
b.Female:	1 Member

2. The composition of Board of Directors is as follows:

i) Independent Directors

Dr. M. Shoukat Malik
Mr. Shahid Aziz

ii) Non-executive Directors

Mr. Fawad Ahmed Mukhtar
Mr. Fahd Mukhtar
Mrs. Fatima Fazal

iii) Executive Directors

Mr. Fazal Ahmed Sheikh
Mr. Faisal Ahmed Mukhtar

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;

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

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

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

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

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

9. Company stands complied with the requirements of Directors Training Program (DTP). Two Directors have already got DTP in previous years. Four Directors are exempted from the DTP and remaining one Director shall obtain certification under the DTP in due course of time ;

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

1.	Mr. Shahid Aziz	Chairman
2.	Mr. Fahd Mukhtar	Member
3.	Dr. M. Shoukat Malik	Member

b) HR and Remuneration Committee

1.	Dr. M. Shòukat Malik	Chairman
2.	Mr. Faisal Ahmed Mukhta	Member
3.	Mr. Fahd Mukhtar	Member

c) Risk Management Committee

1.	Mr. Faisal Ahmed Mukhtar	Chairman
2.	Mr. Shahid Aziz	Member
3.	Dr. M. Shoukat Malik	Member

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

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

a) Audit Committee:

The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company.

b) HR and Remuneration Committee:

One meeting was held during the financial year ended June 30,2019.

15. The Board has set up an effective internal audit function under the leadership of Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

18. We confirm that all other requirements of Regulations have been complied with.

Fawad Ahmed Mukhtar
Chairman

FINANCIAL STATEMENTS

Year ended June 30, 2019

INDEPENDENT AUDITORS'

Review report on the statement of compliance with 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 RELIANCE WEAVING MILLS LIMITED (the Company) for the year ended June 30, 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 procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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 undertaken 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 June 30, 2019.

LAHORE

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Nafees ud din

INDEPENDENT AUDITORS' REPORT

To the members of reliance weaving mills limited

Report on the Audit of the Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Sr No	Key audit matters	Key audit matters How the matter was addressed in our audit
1	**First time adoption of IFRS 9 'Financial instruments'** As referred to in note 3.1(a) to the financial statements, the Company has adopted IFRS 9 with effect from July 01, 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) Model instead of Incurred Loss Model previously applied by the Company. Determination of ECL allowance for trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered the first time application of IFRS 9 as a key audit matter due to significance of change in accounting methodology and involvement of estimates and judgments in this regard.	Our audit procedures in relation to assessment of allowance for ECL included the following: – Reviewed the methodology developed and applied by the Company to estimate the ECL allowance in relation to trade debts. – Considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates. – Assessed the integrity and quality of the data used for computation of ECL allowance based on the accounting records and information system of the Company as well as the related external sources as used for this purpose. – Checked mathematical accuracy of ECL model by performing recalculation on test basis. – Assessed adequacy of disclosures in the financial statements of the Company in accordance with IFRS 9.

Sr No	Key audit matters	Key audit matters How the matter was addressed in our audit
2	**Valuation of stock-in-trade** The value of stock-in-trade at the reporting date aggregated Rs.5.945 billion representing 61.13% of the Company's total current assets (2018: Rs.3.222 billion, 48.06% of the Company's total current assets). Stock-in-trade at the reporting date mainly included raw materials and finished goods (note 10). The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads incurred in bringing the inventories to their present location and conditions. Judgement has also been exercised by the management in determining the net realisable value of finished goods. We identified this matter as key in our audit due to the judgement and assumptions applied by the Company in determining the cost and net realisable value of stock-in-trade at the reporting date. Financing obligations and compliance with related covenant requirements As at reporting date, the Company had outstanding long term financing facilities aggregating Rs.2,343.894 million including Rs.1,114.469 million obtained during the current year, which constitutes 18.14% of total liabilities of the Company. The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to this portfolio of borrowing. Further, new financing arrangements entail additional financial and non-financial covenants for the Company to comply with.	We assessed the appropriateness of management assumptions applied in calculating the value of stock-in-trade and validated the valuation by taking following steps: – Assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; – Attended inventory count at the year-end and reconciled physical inventory with inventory lists provided to ensure completeness of data; – Assessed historical cost recorded in inventory valuation by checking purchase invoices on sample basis; – Tested reasonability of assumptions applied by the management in allocation of labour and other various overhead costs to inventories; – Assessed the management's determination of net realisable value of inventories by performing tests on sale prices secured by the Company for similar items; and – Performed net realisable value test to assess whether cost of inventories exceeded its net realisable value by detailed review of subsequent sales invoices.
3	**Financing obligations and compliance with related covenant requirements** As at reporting date, the Company had outstanding long term financing facilities aggregating Rs.2,343.894 million including Rs.1,114.469 million obtained during the current year, which constitutes 18.14% of total liabilities of the Company. The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to this portfolio of borrowing. Further, new financing arrangements entail additional financial and non-financial covenants for the Company to comply with.	Our audit procedures in relation to verification of long term financing included the following: – Reviewed terms and conditions of financing agreements entered into by the Company with various banks. – Circularised direct balance confirmations to banks and verified receipts and payments from bank statements. – Reviewed maturity analysis of financing to ascertain the classification of loans as per their remaining maturities. – Assessed the status of compliance with financing covenants and also inquired from the management with regard to their ability to ensure future compliance with the covenants.

Sr No	Key audit matters	Key audit matters How the matter was addressed in our audit
	The significance of new financing obtained during the year along with the sensitivity of compliance with underlying loan covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	– Assessed the adequacy of disclosures made in respect of the long term financing obligations in the financial statements. – Checked the calculation of finance cost recognised in the statement of profit or loss.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Mr Nafees ud din.

ShineWing Hameed Chaudhri & Co.

LAHORE

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,227,003,430	5,633,486,076
Intangible assets	6	2,727,608	3,673,838
Long term investments	7	763,600,882	837,699,969
Long term deposits		20,215,887	21,019,180
Deferred tax asset	8	71,221,430	66,139,780
		7,084,769,237	6,562,018,843
Current assets			
Stores, spares and loose tools	9	204,856,495	220,724,258
Stock-in-trade	10	5,944,941,975	3,222,131,101
Trade debts	11	2,281,363,323	2,005,912,705
Loans and advances	12	401,679,379	263,590,052
Prepayments and other receivables	13	35,474,182	27,213,598
Short term investments	14	137,331,496	106,535,112
Tax refunds and export rebate due from the Government	15	606,596,149	779,695,949
Cash and bank balances	16	113,072,872	79,087,040
		9,725,315,871	6,704,889,815
TOTAL ASSETS		16,810,085,108	13,266,908,658
SHARE CAPITAL AND RESERVES			
Authorised share capital	17	700,000,000	700,000,000
Issued, subscribed and paid-up share capital	18	308,109,370	308,109,370
Reserves	19	165,797,714	175,934,950
Revaluation surplus on freehold land	20	949,485,622	949,485,622
Unappropriated profit		2,467,191,699	1,968,262,404
		3,890,584,405	3,401,792,346
Liabilities			
Non-current liabilities			
Long term finances	21	1,826,834,561	1,199,425,451
Liabilities against assets subject to finance lease	22	8,828,823	14,403,826
Staff retirement benefits - gratuity	23	241,278,990	267,704,556
		2,076,942,374	1,481,533,833
Current liabilities			
Trade and other payables	24	2,012,703,812	1,322,614,366
Unclaimed dividends		17,336,166	16,215,618
Accrued mark-up	25	309,363,247	159,677,919
Short term borrowings	26	7,816,016,456	6,080,169,606
Current portion of non-current liabilities	27	529,479,044	669,475,954
Taxation	28	157,659,604	135,429,016
		10,842,558,329	8,383,582,479
Total liabilities		12,919,500,703	9,865,116,312
Contingencies and commitments	29		
TOTAL EQUITY AND LIABILITIES		16,810,085,108	13,266,908,658

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

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

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees)	
Sales - net	30	16,605,159,289	13,913,860,865
Cost of sales	31	(14,822,654,291)	(12,568,217,349)
Gross profit		1,782,504,998	1,345,643,516
Distribution and marketing expenses	32	(155,953,969)	(143,632,529)
Administrative expenses	33	(188,640,336)	(166,021,698)
Other income	34	323,764,626	99,347,829
Other expenses	35	(68,117,187)	(50,012,454)
Profit from operations		1,693,558,132	1,085,324,664
Finance cost	36	(991,463,904)	(622,203,568)
		702,094,228	463,121,096
Share of loss of Associates	7	(70,781,480)	(21,670,075)
Profit before taxation		631,312,748	441,451,021
Taxation	37	128,507,991	130,871,945
Profit after taxation		502,804,757	310,579,076
Earnings per share	38	16.32	10.08

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

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees)	
Profit after taxation		502,804,757	310,579,076
Other comprehensive (loss) / income:			
Items that will not be reclassified subsequently to profit or loss			
Share of other comprehensive (loss) / income of an Associated Company	7	(3,317,607)	3,241,134
Impact of tax		554,936	(939,929)
		(2,762,671)	2,301,205
Unrealised loss on remeasurement of short term investments at fair value through other comprehensive income	14	(10,137,236)	(3,386,465)
Surplus arisen upon revaluation of freehold land	20	–	315,161,000
Gain / (loss) on remeasurement of staff retirement benefits - gratuity	23	81,913,480	(42,231,656)
Impact of tax		(13,701,663)	6,181,152
		68,211,817	(36,050,504)
		55,311,910	278,025,236
Total comprehensive income for the year		558,116,667	588,604,312

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	40	(271,802,605)	90,274,790
Finance cost paid		(840,119,569)	(594,852,666)
Workers' (profit) participation fund paid to workers and deposited in Government treasury		(23,607,696)	(9,796,070)
Taxes paid - net		(104,923,093)	(28,680,736)
Staff retirement benefits (gratuity) paid		(27,266,847)	(25,129,544)
Net cash used in operating activities		(1,267,719,810)	(568,184,226)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(858,036,740)	(228,076,444)
Sale proceeds and insurance claims of operating fixed assets		9,459,102	30,310,051
Long term deposits		803,293	(1,293,950)
Net cash used in investing activities		(847,774,345)	(199,060,343)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		483,754,801	(732,303,381)
Lease finances - net		(1,917,604)	18,552,998
Dividend paid		(68,204,060)	(35,061,739)
Short term borrowings - net		1,735,846,850	1,498,513,675
Net cash generated from financing activities		2,149,479,987	749,701,553
Net increase / (decrease) in cash and cash equivalents		33,985,832	(17,543,016)
Cash and cash equivalents - at beginning of the year		79,087,040	96,630,056
Cash and cash equivalents - at end of the year		113,072,872	79,087,040

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

		Capital Reserves		Revenue			
	Share capital	Share premium	Revaluation surplus on freehold land	General reserve	Fair value gain / (loss) on short term investments	unappropriated profit	Total
				(Rupees)			
Balance as at June 30, 2017	308,109,370	41,081,250	634,324,622	74,171,959	64,068,206	1,737,649,032	2,859,404,439
Transaction with owners:							
Cash dividend at the rate of Rs.1.50 per ordinary share for the year ended June 30, 2017	–	–	–	–	–	(46,216,405)	(46,216,405)
Total comprehensive income for the year ended June 30, 2018:							
- profit for the year	–	–	–	–	–	310,579,076	310,579,076
- other comprehensive income / (loss)	–	–	315,161,000	–	(3,386,465)	(33,749,299)	278,025,236
	–	–	315,161,000	–	(3,386,465)	276,829,777	588,604,312
Balance as at June 30, 2018	308,109,370	41,081,250	949,485,622	74,171,959	60,681,741	1,968,262,404	3,401,792,346
Transaction with owners:							
Cash dividend at the rate of Rs.2.25 per ordinary share for the year ended June 30, 2018	–	–	–	–	–	(69,324,608)	(69,324,608)
Total comprehensive income for the year ended June 30, 2019:							
- profit for the year	–	–	–	–	–	502,804,757	502,804,757
- other comprehensive (loss) / income	–	–	–	–	(10,137,236)	65,449,146	55,311,910
	–	–	–	–	(10,137,236)	568,253,903	558,116,667
Balance as at June 30, 2019	308,109,370	41,081,250	949,485,622	74,171,959	50,544,505	2,467,191,699	3,890,584,405

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND OPERATIONS

Reliance Weaving Mills Ltd. (the Company) was incorporated in Pakistan as a public limited company on April 07, 1990 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company commenced its operations on May 14, 1990 and is principally engaged in the manufacture and sale of yarn and fabric. The registered office of the Company is situated at second Floor, Trust Plaza, L.M.Q. Road, Multan and its mills are located at Fazalpur Khanewal Road, Multan and Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

– International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the relevant accounting policies below.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

– Useful lives, residual values and depreciation method of property, plant and equipment - notes 4.1 & 5.1.

– Useful lives, residual values and amortisation method of intangible assets - notes 4.2 & 6.

– Provision for impairment of inventories - notes 4.4, 4.5, 9 & 10.

– Allowance for Expected Credit Loss against trade debts and other receivables - note 4.6.

– Impairment loss of non-financial assets other than inventories - note 4.8.

– Obligation of staff retirement benefits (gratuity) - notes 4.10 & 23.

– Estimation of provisions - note 4.12.

– Estimation of contingent liabilities - notes 4.13 & 30.

– Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.15, 8 & 28.

The revisions to accounting estimates, if any, are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 No critical judgment has been used in applying the accounting policies.

3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 Standards, amendments to published standards and interpretations that are effective in the current year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 9, 'Financial instruments', has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The changes laid down by the new standard have been detailed in the relevant notes of these financial statements.

(b) IFRS 15, 'Revenue from contracts with customers' has been notified by SECP to be effective for annual periods beginning on or after July 01, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations.

Following the application of IFRS 15, the Company's policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of goods

The Company sells its products in separately identifiable contracts. The contracts, entered into with customers, generally include one performance obligation, i.e. provision of goods to the customers.

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract by transferring promised goods to the customers. Goods are considered to be transferred at the point in time when the customers obtain control over the goods, i.e. on dispatch of goods from mills to the customers. Revenue from export sale of goods is recognised at the point in time when the customers obtain control over the goods dependent on the relevant incoterms of shipment. Generally, it is on the date of preparation of bill of lading.

Effect of change in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires an entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The revised policy does not have any significant impact on these financial statements as it does not have an impact on the timing or the amount of revenue recognition from the contracts in case of local sales whereas in case of export sale contracts, the revised policy only has an immaterial impact on the timing of revenue recognition with no effect on the amount of revenue recognised.

(c) IFRIC 22, 'Foreign currency transactions and advance consideration' is effective for accounting periods beginning on or after July 01, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. The Company's accounting treatment is already in line with this interpretation.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2019, but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 16, 'Leases' is effective for accounting periods beginning on or after January 01, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company is yet to assess the full impact of this standard on its financial statements.

(b) Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.

(c) Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', are effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.

(d) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.

(e) IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2018 except for the change in the policies for financial assets' recognition and measurement and revenue recognition due to adoption of IFRS 9 and IFRS 15 respectively. The implications of these standards have been detailed in the relevant notes of these financial statements of the Company.

4.1 Property, plant and equipment

(a) Owned

Measurement

Items of property, plant and equipment other than freehold land and capital work-in-progress are measured at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at revalued amount whereas capital work-in-progress is stated at cost including, where relevant, related finance costs less impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to statement of profit or loss as and when incurred.

Revaluation

Increases in the carrying amounts arising on revaluation of freehold land are recognised, net of tax, in statement of other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in statement of other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to statement of profit or loss.

Depreciation

Depreciation is charged so as to write-off the cost of assets (other than freehold land and capital work-in-progress) over their remaining useful lives, using the reducing balance method at rates specified in note 5.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed-off.

Disposal

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other income or other operating expenses in the statement of profit or loss. In case of the sale of revalued freehold land, the attributable revaluation surplus remaining in the revaluation surplus on freehold land is transferred directly to unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each year-end. The effect of any change in estimates is accounted for on a prospective basis.

(b) Leased

Lease where the Company has substantially all the risks and rewards of ownership is classified as finance lease. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of rental is taken to statement of profit or loss over the lease term.

Depreciation

Depreciation on assets subject to finance lease is taken to statement of profit or loss at the rates stated in note 5.1 applying reducing balance method to write-off cost of the assets over their estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

Finance cost and depreciation on leased assets are taken to statement of profit or loss currently.

4.2 Intangible assets

Measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method at the rate specified in note 6.1 to the financial statements.

Amortisation on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed-off.

Gain and losses on disposal of such assets, if any, are included in the statement of profit or loss.

Judgment and estimates

The useful lives, residual values and amortisation method are reviewed and adjusted, if appropriate, at each year-end. The effect of any change in estimate is accounted for on a prospective basis.

4.3 Investments in equity instruments of Associated Companies

Associated Companies, where the Company holds 20% or more of the voting power of the investee company and where the Company has significant influence, but not control, over the financial and operating policies, are accounted for using the equity method.

Under equity method the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Associated Companies after the date of acquisition. The Company's share of profit or loss of the Associated Companies is recognised in the Company's statement of profit or loss. Distributions received from Associated Companies reduce the carrying amount of investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in statement of profit or loss.

4.4 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.5 Stock-in-trade

These are stated at the lower of cost and net realisable value except for waste stock, which is valued at net realisable 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 comprise of invoice value plus other charges paid thereon.

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

Judgment and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

4.6 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less allowance for Expected Credit Loss (ECL). Carrying amounts of trade debts and other receivables are assessed at each reporting date and allowance is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.7 Cash and cash equivalents

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

4.8 Impairment of non-financial assets other than inventories

The assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4.9 Borrowings and borrowing costs

Interest bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalised upto the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the statement of profit or loss.

4.10 Staff retirement benefits - gratuity

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2019 on the basis of the projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in the statement of comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

4.11 Trade and other payables

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

4.12 Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation.

4.13 Contingent liabilities

A contingent liability is disclosed when the Company:

– has a possible obligation as a result of past events, 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

– has a present legal or constructive 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.

4.14 Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an on going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Derivatives are carried as asset when the fair value is positive and liabilities when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit or loss.

Amounts accumulated in statement of comprehensive income are recognised in statement of profit or loss in the periods when the hedged item will effect statement of profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in statement of comprehensive income are transferred from statement of comprehensive income and included in the initial measurement of the cost of the asset or liability.

Any gains or losses arising from change in fair value derivatives that do not qualify for hedge accounting are taken directly to statement of profit or loss.

4.15 Taxation

(a) Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or provisions of minimum tax, or provisions of alternative corporate tax. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

(b) Deferred

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

4.16 Dividend and appropriation to reserves

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

4.17 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company looses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

(a) Financial assets

Classification

Effective July 01, 2018, the Company classifies its financial assets in the following measurement categories:

i) Amortised cost where the effective interest rate method will apply;

ii) fair value through profit or loss; and

iii) fair value through other comprehensive income.

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

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income (OCI). 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 investments at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Further, financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost

Assets that are held for collection of contractual cash flows, where the contractual terms of the financial assets give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

ii) Fair value through other comprehensive income (FVTOCI)

"Assets that are held for collection of contractual cash flows and for selling the financial assets, where the contractual terms of the financial asset give rise on specified dates to cash flows that represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss and recognised in other income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of profit or loss."

iii) Fair value through profit and loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit or loss and presented in finance income / cost in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Impairment of financial assets

Effective July 01, 2018, the Company assesses on a historical as well as forward-looking basis, the expected credit loss (ECL) as associated with its trade debts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

- Trade debts
- Cash and bank balances

Simplified approach for trade debts

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 ECL, 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.

Recognition of loss allowance

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

b) Financial Liabilities

Classification, initial recognition and subsequent measurement

Financial liabilities are classified in the following categories:

i) fair value through profit or loss; and

ii) Other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

ii) Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in profit or loss for the year, when the liabilities are derecognised as well as through effective interest rate amortisation process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled or expired.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.18 Foreign currency transactions

Foreign currency transactions are recorded in Pakistan Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are taken to statement of profit or loss.

4.19 Revenue recognition

Revenue represents fair value of the consideration received or receivable for goods sold net of discounts and sales tax. Revenue is recognised when the control of goods is transferred to customers, i.e. on dispatch in case of local sales and on preparation of bill of lading in case of exports, and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due.

Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs its performance obligations under the contract.

Others

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark-up income is accrued on time proportion basis by reference to the principal outstanding and at the agreed mark-up rate applicable.

Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

Export duty drawback is recognised on accrual basis.

4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

Segment assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant & equipment, stores, spares & loose tools and stock-in-trade. Segment liabilities comprise of long term finances, liabilities against assets subject to finance lease, short term borrowings and trade & other payables.

4.21 Related party transactions

The Company enters into transactions with related parties on commercial terms and conditions.

	Note	2019	2018
		(Rupees)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	6,213,181,129	5,624,813,055
Capital work-in-progress:			
- civil works and buildings		13,822,301	939,021
- advance against vehicles		–	7,734,000
		13,822,301	8,673,021
		6,227,003,430	5,633,486,076

5.1 Operating fixed assets

	Owned										Leased			
	Freehold land	Buildings on freehold land	Plant & machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fixtures	Vehicles	Sub-total	Plant & machinery	Vehicles	Sub-total	Grand total
	(Rupees)													
As at June 30, 2017														
Cost / revaluation	752,939,000	735,165,895	5,602,466,299	394,373,816	31,770,292	35,493,014	21,341,445	16,176,635	109,787,021	7,699,513,417	87,087,276	16,003,329	103,090,605	7,802,604,022
Accumulated depreciation	–	274,392,150	1,937,270,538	112,343,706	13,687,137	14,910,370	9,690,775	8,900,721	69,180,502	2,440,375,899	12,308,994	4,945,842	17,254,836	2,457,630,735
Book value	752,939,000	460,773,745	3,665,195,761	282,030,110	18,083,155	20,582,644	11,650,670	7,275,914	40,606,519	5,259,137,518	74,778,282	11,057,487	85,835,769	5,344,973,287
Year ended June 30, 2018														
Transfers from leased to owned														
Cost	–	–	87,087,276	–	–	–	–	–	8,888,970	95,976,246	(87,087,276)	(8,888,970)	(95,976,246)	–
Depreciation	–	–	16,047,908	–	–	–	–	–	4,586,306	20,634,214	(16,047,908)	(4,586,306)	(20,634,214)	–
Adjustment														
Cost	–	–	1,048,149	–	–	–	670,828	–	1,257,861	2,976,838	–	(2,976,838)	(2,976,838)	–
Depreciation	–	–	32,203	–	–	–	67,139	–	158,228	257,570	–	(257,570)	(257,570)	–
Revaluation increment (note 5.2)	315,161,000	–	–	–	–	–	–	–	–	315,161,000	–	–	–	315,161,000
Additions	–	4,107,087	205,871,759	5,367,644	806,578	1,617,701	3,418,240	1,976,212	2,976,683	226,141,904	–	19,374,054	19,374,054	245,515,958
Disposals														
Cost	–	–	(152,797,515)	–	–	–	(6,100)	–	(8,012,389)	(160,816,004)	–	–	–	(160,816,004)
Depreciation	–	–	122,778,675	–	–	–	2,331	–	5,986,009	128,767,015	–	–	–	128,767,015
Depreciation for the year	–	23,181,924	189,541,193	14,292,831	924,306	2,129,075	1,326,760	820,495	8,275,575	240,492,159	3,738,914	4,557,128	8,296,042	248,788,201
Book value	1,068,100,000	441,698,908	3,723,562,801	273,104,923	17,965,427	20,071,270	14,342,070	8,431,631	38,683,544	5,605,960,574	–	18,852,481	18,852,481	5,624,813,055
Year ended June 30, 2019														
Additions	677,000	18,827,352	790,511,272	9,416,689	5,183,015	1,820,587	1,399,582	620,900	4,237,446	832,693,843	–	20,193,617	20,193,617	852,887,460
Disposals														
Cost	–	–	(17,523,479)	–	–	(377,025)	–	–	(9,613,574)	(27,514,078)	–	–	–	(27,514,078)
Depreciation	–	–	10,583,314	–	–	162,848	–	–	7,364,526	18,110,688	–	–	–	18,110,688
Depreciation for the year	–	22,594,512	199,730,140	13,876,192	1,030,030	2,095,134	1,510,248	875,309	3,900,272	245,611,837	–	9,504,159	9,504,159	255,115,996
Book value	1,068,777,000	437,931,748	4,307,403,768	268,645,420	22,118,412	19,582,546	14,231,404	8,177,222	36,771,670	6,183,639,190	–	29,541,939	29,541,939	6,213,181,129
As at June 30, 2018														
Cost / revaluation	1,068,100,000	739,272,982	5,743,675,968	399,741,460	32,576,870	37,110,715	25,424,413	18,152,847	114,898,146	8,178,953,401	–	23,511,575	23,511,575	8,202,464,976
Accumulated depreciation	–	297,574,074	2,020,113,167	126,636,537	14,611,443	17,039,445	11,082,343	9,721,216	76,214,602	2,572,992,827	–	4,659,094	4,659,094	2,577,651,921
Book value	1,068,100,000	441,698,908	3,723,562,801	273,104,923	17,965,427	20,071,270	14,342,070	8,431,631	38,683,544	5,605,960,574	–	18,852,481	18,852,481	5,624,813,055
As at June 30, 2019														
Cost / revaluation	1,068,777,000	758,100,334	6,516,663,761	409,158,149	37,759,885	38,554,277	26,823,995	18,773,747	109,522,018	8,984,133,166	–	43,705,192	43,705,192	9,027,838,358
Accumulated depreciation	–	320,168,586	2,209,259,993	140,512,729	15,641,473	18,971,731	12,592,591	10,596,525	72,750,348	2,800,493,976	–	14,163,253	14,163,253	2,814,657,229
Book value	1,068,777,000	437,931,748	4,307,403,768	268,645,420	22,118,412	19,582,546	14,231,404	8,177,222	36,771,670	6,183,639,190	–	29,541,939	29,541,939	6,213,181,129
Depreciation rate (%)		5	5	5	5	10	10	10	20		5	20		

5.2 **(a)** The Company on August 07, 2017 has carried-out revaluations of its freehold land situated at Mouza Karpaal Pur, Khanewal Road, Multan and Mukhtara Abad, Rawat, Rawalpindi. The revaluation exercises have been conducted by an independent valuer [MYK Associates (Pvt.) Ltd. Shafaat Colony, Al-Tamash Road, Multan]. Freehold land has been revalued on the basis of fair market values and it has resulted in revaluation surplus aggregating Rs.315.161 million as worked-out below:

	(Rupees)
Cost / revaluation as at June 30, 2017	752,939,000
Revalued amount as at August 07, 2017	1,068,100,000
Revaluation surplus arisen upon latest revaluation	315,161,000

(b) Had there been no revaluations, book value of freehold land would have been Rs.119.292 million as at June 30, 2019 (2018: Rs.118.615 million).

(c) Based on the revaluation reports dated August 07, 2017, the forced sale values of the revalued freehold land have been assessed at Rs.854.480 million.

	Note	2019 (Rupees)	2018 (Rupees)
5.3 Depreciation for the year has been apportioned as under:			
Cost of sales	31	238,741,122	233,105,235
Administrative expenses	33	16,374,874	15,682,966
		255,115,996	248,788,201

5.4 **Particulars of immovable property**

Location	Usage of immovable property	Total area (square feet)	Covered area (in square feet) Approx
Mouza Karpaal Pur, Khanewal Road, Multan.	Industrial	4,102,920	1,010,307
Mukhtara Abad, Rawat, Rawalpindi.	Industrial	1,424,250	231,242

5.5 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book value	Claim proceeds	(Loss) gain	Mode of disposal	Sold to Claims received from
			(Rupees)				
Financial year ended June 30, 2019:							
Plant and machinery							
Generator	16,773,479	10,324,733	6,448,746	5,960,000	(488,746)	Insurance claim	EFU General Insurance Company Ltd.
Ring frame	750,000	258,581	491,419	450,000	(41,419)	Negotiation	Bismillah Textile Traders, Faisalabad.
	17,523,479	10,583,314	6,940,165	6,410,000	(530,165)		
Office equipment							
Laptop Inspiron	75,926	31,404	44,522	7,400	(37,122)	Company policy	Mr. Nasir Zahid (employee).
Laptop Pro	89,426	37,040	52,386	7,400	(44,986)	- - do - -	Mr. Aftab Ahmed Qaiser (employee).
Laptop HP Probook	81,706	33,757	47,949	7,900	(40,049)	- - do - -	Mr. Saqib Laeeq (employee).
Laptop HP Probook	59,500	26,098	33,402	5,950	(27,452)	- - do - -	Muhammad Nasir Iqbal (employee).
Laptop HP Pavilion	70,467	34,549	35,918	7,046	(28,872)	- - do - -	Syed Murad Masher Kazmi (employee).
	377,025	162,848	214,177	35,696	(178,481)		
Vehicles							
Suzuki Liana	1,272,376	1,055,946	216,430	690,000	473,570	Negotiation	Mr. Yousaf Ijaz, Islamabad.
Daihatsu Coure	924,270	698,024	226,246	239,400	13,154	Company policy	Mr. Taimor Yasin (employee).
Daihatsu Coure	944,040	716,131	227,909	237,038	9,129	- - do - -	Mr. Imran Ullah (employee).
Suzuki Cultus	939,210	747,616	191,594	240,450	48,856	- - do - -	Mr. Ahsan Alvi (employee).
Suzuki Cultus	916,000	725,902	190,098	240,450	50,352	- - do - -	Mr. Murad Kazmi (employee).
Suzuki Cultus	1,081,000	864,531	216,469	283,000	66,531	- - do - -	Mr. Nasir Zahid (employee).
Suzuki Cultus	950,289	733,462	216,827	239,400	22,573	- - do - -	Mr. Qasim Mansoor (employee).
Suzuki Cultus	1,026,604	749,076	277,528	286,830	9,302	- - do - -	Mr. Mubarak Ahmad (employee).
Suzuki Cultus	453,508	223,731	229,777	240,450	10,673	- - do - -	Rana Anwar Ul Haq (employee).
Toyota Corolla	896,767	702,665	194,102	214,988	20,886	- - do - -	Ghulam Mustafa (employee).
Honda CD 70	66,786	52,400	14,386	32,950	18,564	- - do - -	Muhammad Irfan (employee).
Honda CD 70	73,199	42,254	30,945	34,950	4,005	- - do - -	Mr. Shahid Javed (employee).
Honda CD 70	69,525	52,788	16,737	33,500	16,763	- - do - -	Mr. Nadeem Ahmad (employee).
	9,613,574	7,364,526	2,249,048	3,013,406	764,358		
Total	27,514,078	18,110,688	9,403,390	9,459,102	55,712		

Particulars	Cost	Accumulated depreciation	Book value	Claim proceeds	(Loss) gain	Mode of disposal	Sold to Claims received from
	(Rupees)						
Financial year ended June 30, 2018:							
Plant & machinery							
Air jet looms	152,005,015	122,683,384	29,321,631	25,744,488	(3,577,143)	Negotiation	Nikunj Synfab (Pvt.) Ltd. Azad Chowk,
Bhilwara, India.							
ABS pump	652,500	24,378	628,122	1,100,000	471,878	- - do - -	Muhammad Altaf, Karachi.
Chiller	140,000	70,913	69,087	1,100,000	1,030,913	- - do - -	Muhammad Altaf, Karachi.
	152,797,515	122,778,675	30,018,840	27,944,488	(2,074,352)		
Electric appliances	6,100	2,331	3,769	7,560	3,791	- - do - -	
Vehicles							
Suzuki Cultus	868,000	673,706	194,294	197,644	3,350	Company policy	Mr. Salim Ahmed (employee).
Daihatsu Coure	727,128	586,972	140,156	142,615	2,459	- - do - -	Muhammad Nasir Iqbal (employee).
Suzuki Cultus	916,000	682,546	233,454	237,622	4,168	- - do - -	Sheikh Anjum Jamil (employee).
Suzuki Cultus	1,405,565	1,059,986	345,579	424,437	78,858	- - do - -	Muhammad Waqas Nasir (employee).
Suzuki Cultus	916,000	690,884	225,116	240,450	15,334	- - do - -	Mr. Asif Ali Malik (employee).
Toyota Corolla	1,514,000	1,126,416	387,584	493,300	105,716	- - do - -	Mr. Waheed Ahmad (employee).
Suzuki Swift	1,007,210	749,364	257,846	308,450	50,604	- - do - -	Mr. Jawad Ahmad Affi Bhutta (ex-employee).
Honda CD 70	54,273	3,618	50,655	60,000	9,345	Insurance Claim	Premier Insurance Ltd.
Honda CD 70	73,100	38,127	34,973	30,000	(4,973)	Company policy	Mr. Khurram Shahzad (employee).
Honda CD 70	70,901	45,611	25,290	34,000	8,710	- - do - -	Mr. Jamil Anjum (employee).
Honda CD 70	70,901	46,074	24,827	34,000	9,173	- - do - -	Mr. Ghulam Abbas (employee).
Honda CD 70	69,586	51,820	17,766	32,950	15,184	- - do - -	Muhammad Farooq (employee).
Honda CD 70	66,786	49,734	17,052	13,180	(3,872)	- - do - -	Muhammad Usman (employee).
Honda CD 70	58,370	35,084	23,286	13,600	(9,686)	- - do - -	Mr. Muzamil Hussain (employee).
Honda CD 70	58,600	50,413	8,187	28,195	20,008	- - do - -	Mr. Ghulam Shabeer (employee).
Honda CD 70	66,261	44,289	21,972	34,000	12,028	- - do - -	Mr. Riaz Ahmad (employee).
Honda CD 70	69,708	51,365	18,343	33,560	15,217	- - do - -	Mr. Khalid Javed (employee).
	8,012,389	5,986,009	2,026,380	2,358,003	331,623		
Total	160,816,004	128,767,015	32,048,989	30,310,051	(1,738,938)		

	2019	2018
	(Rupees)	
6. INTANGIBLE ASSETS - Computer software		
Cost at beginning of the year	9,462,295	9,462,295
Less: amortisation:		
- at beginning of the year	5,788,457	4,842,227
- charge for the year	946,230	946,230
- at end of the year	6,734,687	5,788,457
Book value as at June 30,	2,727,608	3,673,838

6.1 Amortisation is charged to income applying the straight-line method at the rate of 10% per annum.

	Note	2019	2018
		(Rupees)	
7. LONG TERM INVESTMENTS			
Associated Companies - Un-quoted			
Fatima Energy Ltd. (FEL)			
80,016,370 (2018: 80,016,370) ordinary shares of Rs.10 each - cost		800,054,340	800,054,340
Equity held: 14.04% (2018: 14.04%)			
Share of post acquisition loss and other comprehensive income - net		(33,276,421)	(15,776,852)
		766,777,919	784,277,488
Share of:			
- loss for the year		(27,917,978)	(18,388,027)
- other comprehensive income		–	3,241,134
Adjustment based on preceding year's audited financial statements			
- loss for the year		(6,635,307)	(2,737,676)
- other comprehensive loss		(3,317,607)	–
Gain on dilution of investment in FEL	7.2	–	385,000
		728,907,027	766,777,919
Fatima Transmission Company Ltd. (FTCL)			
7,187,500 (2018: 7,187,500) ordinary shares of Rs.10 each - cost		71,875,000	71,875,000
Equity held: 31.25% (2018: 31.25%)			
Share of post acquisition loss and other comprehensive income		(952,950)	(408,578)
		70,922,050	71,466,422
Share of loss for the year		(21,308,123)	(4,110)
Adjustment based on preceding year's audited financial statements		(14,920,072)	(540,262)
		34,693,855	70,922,050
		763,600,882	837,699,969

7.1 **The details of investments acquired by the Company in FEL are as follows:**

	(No. of shares acquired)
Shares acquired on	
March 14, 2014	9,938
May 13, 2014	998
July 24, 2014	34,693,441
December 04, 2014	42,299,999
May 31, 2016	3,011,994
	80,016,370

7.2 It represented gain recognised on dilution of investment during the preceding year and financial year ended June 30, 2016. FEL had issued shares to third parties during these years due to which percentage holding of the Company in FEL had decreased. As per IAS 28 (Investments in Associates and Joint Ventures), the change in investee's equity was incorporated and resultant gain recognised in statement of profit or loss of the respective financial years.

7.3 The Company has no commitment of stand-by letters of credit as at June 30, 2019; (2018: the Company had commitment of Rs.67.956 million in the form of stand-by letters of credit to inject equity in FEL as disclosed in note 29.6).

7.4 FEL was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Ordinance, 1984 . The principal activity of FEL is to build, own, operate and maintain a co-generation power plant of 120 MW. FEL is in the process of setting up of plant at Sanawan, Kot Addu, Punjab. The registered office of FEL is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt., in the province of Punjab.

The summary of financial information of FEL based on its audited / un-audited financial statements for the year ended June 30, 2019 is as follows:

Summarised statement of financial position

	2019 Un-audited	2018 Audited
	(Rupees in thousand)	
Non-current assets	29,741,224	26,955,441
Current assets	1,334,866	1,373,620
	31,076,090	28,329,061
Non-current liabilities	15,541,986	14,810,016
Current liabilities	10,383,246	8,169,341
	25,925,232	22,979,357
Net assets	5,150,858	5,349,704
Reconciliation to carrying amount		
Opening net assets	5,349,704	5,498,150
Shares issued during the year	–	30,105
Loss for the year	(198,846)	(178,007)
Other comprehensive loss	–	(544)
Closing net assets	5,150,858	5,349,704

	2019 Un-audited	2018 Audited
	(Rupees in thousand)	
Company's share percentage 14.04% (2018: 14.04%)		
Company's share	723,180	751,098
Miscellaneous adjustments	5,727	–
Adjustment based on preceding year's audited financial statements	–	15,680
Carrying amount of investment	728,907	766,778
Summarised statement of profit or loss		
Loss for the year	198,846	178,007

7.5 The Company has invested in FEL in the form of shares; (2018: in the form of shares and stand-by letters of credit). The limit for investment in FEL as approved by members of the Company is Rs.7,523 million. FEL is an Associated Undertaking of the Company by virtue common directorship.

7.6 FTCL was incorporated in Pakistan on December 26, 2014 as a public limited company and has not commenced its operations by June 30, 2019. The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers & sub-stations and the movement & delivery of electric power.

The summary of financial information of FTCL based on its audited / un-audited financial statements for the year ended June 30, 2019 is as follows:

Summarised statement of financial position

	2019 Un-audited	2018 Audited
	(Rupees in thousand)	
Non-current assets	755,975	758,044
Current assets	974	1,011
	756,949	759,055
Non-current liabilities	315,790	368,421
Current liabilities	335,624	216,913
	651,414	585,334
Net assets	105,535	173,721
Reconciliation to carrying amount		
Opening net assets	173,721	221,478
Loss for the year	(68,186)	(47,757)
Closing net assets	105,535	173,721
Company's share percentage 31.25% (2018:31.25%)		
Company's share	32,980	54,288
Miscellaneous adjustments	1,714	–
Adjustment based on preceding year's audited financial statements	–	16,634
Carrying amount of investment	34,694	70,922
Summarised statement of profit or loss		
Loss for the year	(68,186)	(47,757)

	Note	2019	2018
		(Rupees)	

8. DEFERRED TAX ASSET

	Note	2019	2018
This is composed of the following:			
Deductible temporary differences arising in respect of:			
- unabsorbed tax losses and minimum tax recoverable against normal tax charge in future years	8.1	542,118,352	444,356,323
- staff retirement benefits - gratuity		40,358,721	39,184,439
- investments in Associated Companies		18,120,094	5,010,220
- allowance for ECL on trade debts		1,028,968	–
		601,626,135	488,550,982
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		(529,017,308)	(423,042,461)
- lease finances		(1,387,397)	631,259
		(530,404,705)	(422,411,202)
		71,221,430	66,139,780

8.1 As at June 30, 2019, deferred tax asset amounting Rs.227.013 million (2018: Rs.246.679 million) on minimum tax recoverable against normal tax charge in future years has not been recognised in the financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at June 30, 2020.

	2019	2018
	(Rupees)	

9. STORES, SPARES AND LOOSE TOOLS

	2019	2018
Stores including in-transit inventory valuing Rs.3.105 million (2018: Rs.10.582 million)	75,229,266	84,716,299
Spares	129,670,902	135,996,583
Loose tools	186,349	241,398
	205,086,517	220,954,280
Less: provision for obsolete items	(230,022)	(230,022)
	204,856,495	220,724,258

10. STOCK-IN-TRADE

	2019	2018
Raw materials including in-transit inventory valuing Rs.188.295 million (2018: Rs.186.625 million)	4,081,656,896	2,085,889,117
Work-in-process	280,285,921	248,384,218
Finished goods	1,548,035,059	843,240,497
Waste	34,964,099	44,617,269
	1,582,999,158	887,857,766
	5,944,941,975	3,222,131,101

10.1 Stocks valuing Rs.91.638 million (2018: Rs.46.744 million) were in the possession of various parties for processing and finishing.

10.2 Raw materials and finished goods inventories are pledged with various banks as security for short term finance facilities (note 26).

	Note	2019	2018
		(Rupees)	
11. TRADE DEBTS			
Export - secured		1,220,860,589	1,519,112,032
Local - unsecured and considered good		1,060,502,734	486,800,673
Considered doubtful		3,548,165	–
		1,064,050,899	486,800,673
		2,284,911,488	2,005,912,705
Less: allowance for Expected Credit Loss		(3,548,165)	–
		2,281,363,323	2,005,912,705
12. LOANS AND ADVANCES			
Advances to:			
- key management personnel		3,752,500	2,017,600
- employees		199,019,534	171,807,276
- suppliers		30,354,443	32,704,225
Due from related parties	12.1	141,090,115	28,709,050
Letters of credit		54,425	408,115
Margin deposits		27,408,362	27,943,786
		401,679,379	263,590,052
12.1 Due from related parties			
Fatima Sugar Mills Ltd.	(a)	39,297,983	–
Reliance Commodities (Pvt.) Ltd.	(b)	3,480,916	2,962,911
Fatima Transmission Company Ltd.	(b)	15,314,068	15,314,068
Fatima Energy Ltd.	(b)	78,520,322	5,735,180
Multan Cloth Finishing Factory	(c)	4,406,280	4,406,280
Fatima Cement Ltd.	(c)	–	220,065
FatimaFert Ltd.	(c)	70,546	70,546
		141,090,115	28,709,050

(a) The advance carries mark-up at the rate of 1-month KIBOR plus 3% per annum.

(b) The advances carry mark-up at the rate of 1-month KIBOR plus 2.50% per annum.

(c) The balances have arisen due to sharing of expenses and on account of trading transactions.

12.2 Maximum aggregate amounts due from related parties at any month-end during the year aggregated Rs.141.090 million (2018: Rs.28.709 million).

		Note	2019	2018
			(Rupees)	
13.	**PREPAYMENTS AND OTHER RECEIVABLES**			
	Prepayments		1,113,460	1,466,830
	Accrued mark-up	13.1	34,335,722	25,559,068
	Others		25,000	187,700
			35,474,182	27,213,598

13.1 This represents mark-up accrued on advance made to Fatima Energy Ltd. and short term loans advanced to Reliance Commodities (Pvt.) Ltd. and Fatima Transmission Company Ltd.

		Note	2019	2018
			(Rupees)	
14.	**SHORT TERM INVESTMENTS**			
	(At fair value through other comprehensive income)			
	Quoted			
	Fatima Fertilizer Company Ltd. (FFCL)			
	2,625,167 (2018: 2,625,167) fully paid ordinary shares of Rs.10 each at fair value	14.1	85,055,412	88,441,877
	Fair value adjustment		(6,694,176)	(3,386,465)
	Fair value at end of the year		78,361,236	85,055,412
	Others - Un-quoted			
	Multan Real Estate Company (Pvt.) Ltd. (MREC)			
	214,797 (2018: 214,797) ordinary shares of Rs.100 each	14.2	21,479,700	21,479,700
	Equity held 9.90% (2018:9.90%)			
	Sales tax refund bonds and accrued profit thereon	14.3	40,933,620	–
	Fair value adjustment		(3,443,060)	–
			37,490,560	–
			137,331,496	106,535,112

14.1 FFCL is a related party of the Company; however, considering shareholding percentage in FFCL i.e. 0.13%, the Company does not have significant influence to participate in the financial and operating decisions of FFCL. Accordingly, investments in FFCL have not been accounted for using the equity method.

14.2 Value of investments based on net assets shown in the un-audited financial statements of MREC for the year ended June 30, 2019 amounted Rs.21.495 million (2018: Rs.21.489 million).

14.3 Sales tax refund bonds have been issued by the Federal Board of Revenue against sales tax refundable of Rs.40.900 million. The bonds so issued bear profit at the rate of 10% per annum, which amounted Rs.33,620.

		Note	2019	2018
			(Rupees)	
15.	**TAX REFUNDS AND EXPORT REBATE DUE FROM THE GOVERNMENT**			
	Export rebate and duty draw back		112,768,327	250,943,546
	Advance income tax		266,476,423	286,059,110
	Sales tax refundable		217,471,654	232,461,492
	Special excise duty		9,879,745	10,231,801
			606,596,149	779,695,949
16.	**CASH AND BANK BALANCES**			
	Cash-in-hand		2,508,901	5,052,840
	Cash at banks on:			
	- current accounts	16.1	110,018,559	73,256,955
	- saving accounts	16.2	545,412	777,245
			110,563,971	74,034,200
			113,072,872	79,087,040

16.1 These include foreign currency balance of U.S.$ 234,247 (2018: U.S.$ 4,646), which has been translated in Pak Rupees at the exchange rate ruling on the reporting date.

16.2 These carry profit at the rates ranging from 2.40% to 10.25% (2018: 2.40% to 5.53%) per annum.

17. AUTHORISED SHARE CAPITAL

2019	2018		2019	2018
(No. of share)			(Rupees)	
40,000,000	40,000,000	Ordinary shares of Rs.10 each	400,000,000	400,000,000
30,000,000	30,000,000	Preference shares of Rs.10 each	300,000,000	300,000,000
70,000,000	70,000,000		700,000,000	700,000,000

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2019	2018		2019	2018
(No. of share)			(Rupees)	
17,801,875	17,801,875	Ordinary shares of Rs.10 each fully paid in cash	178,018,750	178,018,750
13,009,062	13,009,062	Ordinary shares of Rs.10 each issued as fully paid bonus shares	130,090,620	130,090,620
30,810,937	30,810,937		308,109,370	308,109,370

		2019	2018
		(Number of shares)	
18.1	**Ordinary shares held by the related parties at the reporting date are as follows:**		
	Reliance Commodities (Pvt.) Ltd.	3	3
	Fatima Holding Ltd.	845,705	845,705
		845,708	845,708

	Note	2019	2018
		(Rupees)	
19. RESERVES			
Composition of reserves is as follows:			
Capital reserve			
- Share premium	19.1	41,081,250	41,081,250
Revenue reserve			
- General reserve		74,171,959	74,171,959
Fair value reserve on short term investments at fair value through other comprehensive income	19.2	50,544,505	60,681,741
		165,797,714	175,934,950

19.1 This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

19.2 This reserve relates to surplus on remeasurement of short term investments at fair value through other comprehensive income.

20. REVALUATION SURPLUS ON FREEHOLD LAND

As detailed in note 5.2, revaluation of freehold land during the preceding year had resulted in surplus aggregating Rs.315.161 million. The year-end balance has been arrived at as follows:

	2019	2018
	(Rupees)	
Opening balance	949,485,622	634,324,622
Add: surplus arisen on revaluation carried-out during the preceding year	–	315,161,000
	949,485,622	949,485,622

	Note	2019	2018
		(Rupees)	
21. LONG TERM FINANCES - Secured			
From banking companies / financial institutions			
National Bank of Pakistan (NBP) (LTFF-III)	21.1	–	7,750,000
National Bank of Pakistan (DF-IV)	21.2	45,068,743	67,603,122
Pak Brunei Investment Co. (PBIC) (TF)	21.3	140,000,000	220,000,000
Bank Alfalah Ltd. (BAL) (TF-I)	21.4	–	22,493,300
Bank Alfalah Ltd. (TF-II)	21.5	–	24,997,810
Meezan Bank Ltd. (MBL) (DM-I)	21.6	–	48,180,180
Meezan Bank Ltd. (DM-II)	21.7	83,223,221	154,648,814
Saudi Pak Industrial and Agricultural Investment Company Ltd. (Saudi Pak) (LTFF)	21.8	600,000,000	–
Allied Bank Ltd. (ABL) (TF)	21.9	116,666,671	175,000,003
Allied Bank Ltd. (ABL) (TF)	21.10	300,000,000	–
Pak China Investment Company Ltd. (PCIC)	21.11	–	125,000,000
Pak Libya Holding Company (Pvt.) Ltd. (PLHC)	21.12	120,000,000	180,000,000
United Bank Ltd. (UBL) (NIDF-I)	21.13	90,000,000	150,000,000
United Bank Ltd. (NIDF-II under LTFF scheme)	21.14	548,936,213	484,466,818
Askari Bank Ltd. (Askari) (DM)	21.15	150,000,000	200,000,000
Askari Bank Ltd. (Askari) (DM)	21.16	150,000,000	–
Balance as at June 30,		2,343,894,848	1,860,140,047
Less: current portion grouped under current liabilities:			
- NBP (LTFF-III)		–	7,750,000
- NBP (DF-IV)		22,534,380	22,534,380
- PBIC (TF)		80,000,000	80,000,000
- BAL (TF-I)		–	22,493,300
- BAL (TF-II)		–	24,997,810
- MBL (DM-I)		–	48,180,180
- MBL (DM-II)		67,148,814	71,425,593
- ABL		58,333,333	58,333,333
- ABL		37,500,000	–
- PCIC		–	125,000,000
- PLHC		40,000,000	60,000,000
- UBL (NIDF-I)		90,000,000	90,000,000
- UBL (NIDF-II)		52,793,760	–
- Askari		50,000,000	50,000,000
- Askari		18,750,000	–
		517,060,287	660,714,596
		1,826,834,561	1,199,425,451

21.1 These finances were obtained during the financial year ended June 30, 2012 to retire import sight letter of credit. These carried mark-up at the rate of 6-months KIBOR + 2.00%; the effective mark-up rate during the year was 12.70% (2018: 12.70%). These were repayable in 12 equal half-yearly instalments commenced from January, 2013 and were secured against first pari passu charge on fixed assets of the Company at 25% margin and personal guarantees of sponsoring directors of the Company.

21.2 These finances have been obtained during the financial year ended June 30, 2016 to retire import sight letter of credit for import of miscellaneous spinning machinery installed at spinning Unit of the Company. These carry mark-up at the rate of 3-months KIBOR + 2.25 %; the effective mark-up rates during the year ranged from 5.00% to 13.24% (2018: 5.00% to 8.75%) per annum. These are repayable in 24 equal quarterly instalments commenced from October, 2015. These finances are secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and personal guarantees of all sponsoring directors of the Company.

21.3 These finances have been obtained during the financial year ended June 30, 2017 to finance the mismatch from usage of short term debt for financing the long term assets. These carry mark-up at the rate of 3-months KIBOR + 1.75%; the effective mark-up rates during the year ranged from 8.59% to 14.65% (2018: 7.89% to 8.59%) per annum. These are repayable in 15 equal quarterly instalments commenced from September, 2017. These finances are secured against first pari passu charge on all present and future fixed assets of the Company (including land and buildings) with 25% margin and personal guarantees of sponsoring directors of the Company.

21.4 These finances were obtained during the financial year ended June 30, 2013 to finance capital expenditure in spinning unit of the Company. These carried mark-up at the rate of 6-months KIBOR + 1.50%; the effective mark-up rates during the year rate was 8.54% (2018: mark-up rates ranged from 7.65% to 7.71%) per annum. These were repayable in 20 equal quarterly instalments commenced from April, 2014. These finances were secured against first registered pari passu charge over fixed assets of the Company for Rs.200 million with 25% margin and personal guarantees of directors of the Company.

21.5 These finances were obtained during the financial year ended June 30, 2014 to finance current portion of the long term loans availed by the Company from different financial institutions, which fell due during the period from October, 2013 to September, 2014. These carried mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rates during the year rate was 9.04% (2018: mark-up rates ranged from 8.15% to 8.21%) per annum. These finances were repayable in 16 equal quarterly instalments commenced from February, 2015. These finances were secured against first registered pari passu charge on fixed assets of the Company for Rs.267 million and personal guarantees of directors of the Company.

21.6 These finances were obtained during the financial year ended June 30, 2014 to finance imported plant and machinery. These carried mark-up at the rate of 6-months KIBOR + 0.90%; the effective mark-up rates during the year ranged from 7.41% to 10.49% (2018: 7.06% to 7.42%) per annum. These finances were repayable in 20 equal quarterly instalments commenced from August, 2014. These finances were secured against exclusive hypothecation charge of Rs.250 million over underlying plant and machinery against the disbursed amount and additional pari passu hypothecation charge of Rs.84 million over land, buildings and plant & machinery of the Company to cover the margin upto 25%.

21.7 These finances have been obtained during the financial year ended June 30, 2014 to finance imported plant and machinery. These carry mark-up at the rate of 6-months KIBOR + 0.90%; the effective mark-up rates during the year ranged from 7.36% to 14.01% (2018: 7.04% to 7.94%) per annum. These finances are repayable in 20 equal quarterly instalments commenced from March, 2015. These finances are secured against exclusive hypothecation charge of Rs.350 million over underlying plant and machinery against the disbursed amount and additional first pari passu hypothecation charge of Rs.117 million over land, buildings and plant & machinery of the Company to cover the margin upto 25% and personal guarantees of directors of the Company.

21.8 These finances have been obtained during the current financial year for BMR in spinning and weaving units and are repayable in 40 quarterly instalments commencing January, 2021. These carry mark-up at the rates ranging from 3.50% to 15.46% per annum and are secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin.

21.9 These finances have been obtained during the financial year ended June 30, 2014 to finance the textile machinery for expansion in the spinning unit of the Company. These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 8.29% to 12.05% (2018: 7.40% to 7.46%) per annum. These finances are repayable in 12 equal half-yearly instalments commenced from October, 2015 and are secured against first pari passu charge over present and future fixed assets of the Company for Rs.467 million with 25% margin.

21.10 These finances have been obtained during the current financial year for statement of financial position re-profiling and carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 9.31% to 12.05% per annum. These finances are repayable in 8 equal half-yearly instalments commencing February, 2020 and are secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million with 25% margin and personal guarantees of sponsoring directors of the Company.

21.11 These finances were obtained during the financial year ended June 30, 2014 to reduce the funding gap / mismatch from usage of short term debt for financing long term assets. These carried mark-up at the rate of 3-months KIBOR + 1.50%; the effective mark-up rates during the year ranged from 8.42% to 12.49% (2018: 7.64% to 8.00%) per annum. These finances were repayable in 16 equal quarterly instalments commenced from June, 2015 and were secured against first pari passu hypothecation / mortgage charge over all present and future fixed assets of the Company with 25% margin and personal guarantees of sponsoring directors of the Company.

21.12 These finances have been obtained during the financial year ended June 30, 2016 to reduce the funding gap from usage of short term debt for financing long term assets and to create cushion in existing short term working capital lines. These carry mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rates during the year ranged from 9.04% to 15.11% (2018: 8.14% to 9.04%) per annum. These finances are repayable in 10 equal half-yearly instalments commenced from December, 2017 and are secured against pari passu charge on fixed assets of the Company with 25% margin over the facility amount and personal guarantees of all sponsoring directors of the Company.

21.13 These finances have been obtained during the financial year ended June 30, 2015 to finance expansion / BMR done through the Company's own sources. These carry mark-up at the rate of 6-months KIBOR + 1.50%; the effective mark-up rates during the year ranged from 8.54% to 12.30% (2018: 7.65% to 7.71%) per annum. These finances are repayable in 10 equal half-yearly instalments commenced from December, 2015 and are secured against first pari passu charge of Rs.400 million over all present and future fixed assets of the Company by way of equitable mortgage of freehold land and buildings and hypothecation of plant & machinery and personal guarantees of the directors of the Company.

21.14 These finances have been obtained during the financial year ended June 30, 2017 to finance BMR / retirement of letters of credit established for import of air jet looms, fired generator and compressor along with allied parts. These finances carry mark-up at the rate of 6-months KIBOR + 1.50%; the effective mark-up rates during the year ranged from 5.00% to 12.76% (2018: 5.00% to 7.71%) per annum. These finances are repayable in 16 equal half-yearly instalments commencing from October, 2019 and are secured against first pari passu charge on fixed assets (freehold land, buildings and plant & machinery) of the Company with 25% margin and personal guarantees of three directors of the Company.

During the current year, an amount of Rs.22.994 million (2018: Rs.439.838 million) out of total finances of Rs.548.936 million from UBL was approved and refinanced by State Bank of Pakistan under LTFF scheme against imported textile machinery eligible under the said scheme. This LTFF is repayable within the same period as stated in the preceding paragraph. Mark-up under SBP's LTFF scheme is chargeable at the rate of 5% per annum. These finances are secured against the securities as stated in the preceding paragraph.

21.15 These finances have been obtained during the financial year ended June 30, 2017 to facilitate the Company with Diminishing Musharaka (sale and buy back) of machinery (warping machines, sizing machines, air jet weaving looms and power house). These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 7.76% to 13.32% (2018: 7.39% to 7.76%) per annum. These finances are repayable in 8 equal half-yearly instalments commenced from November, 2018 and are secured against first pari passu hypothecation charge of Rs.266.670 million over all present and future fixed assets duly registered with SECP with 25% margin.

21.16 These finances have been obtained during the current financial year to facilitate the Company with Diminishing Musharaka (sale and buy back) of machinery (warping machines, sizing machines, air jet weaving looms and power house). These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 11.97% to 14.34% per annum. These finances are repayable in 8 equal half-yearly instalments commencing January, 2020 and are secured against first pari passu hypothecation charge of Rs.200 million over all present and future fixed assets duly registered with SECP with 25% margin.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2019 Upto one year	2019 From one to five year	2019 Total	2018 Upto one year	2018 From one to five year	2018 Total
	(Rupees)					
Minimum lease payments	14,785,193	12,562,056	27,347,249	10,250,060	17,081,769	27,331,829
Less: finance cost allocated to future periods	2,366,436	803,533	3,169,969	1,488,702	847,943	2,336,645
	12,418,757	11,758,523	24,177,280	8,761,358	16,233,826	24,995,184
Less: security deposits adjustable on expiry of lease terms	–	2,929,700	2,929,700	–	1,830,000	1,830,000
Present value of minimum lease payments	12,418,757	8,828,823	21,247,580	8,761,358	14,403,826	23,165,184

22.1 The Company has entered into lease agreements with Meezan Bank Ltd. and First Habib Modaraba for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by December,20, 2021. The minimum lease payments have been discounted at implicit interest rates ranging from 3-months KIBOR + 1.25% to 6-months KIBOR + 1.50% (2018: 6-months KIBOR + 1.50% to 6-months KIBOR + 2.00%) to arrive at their present value; the effective interest rates during the year ranged from 8.54% to 12.40% (2018: 7.65% to 8.21%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors and demand promissory notes.

23. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

	2019	2018
Significant actuarial assumptions		
- discount rate	14.25%	9.00%
- expected rate of growth		
per annum in future salaries	13.25%	8.00%
- mortality rates	SLIC	SLIC
	2001-2005	2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

Amount recognised in the statement of financial position is the present value of defined benefit obligation at the reporting date:

	2019	2018
	(Rupees)	
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	267,704,556	184,910,887
Current service cost	59,888,359	52,334,733
Interest cost	22,866,402	13,356,824
Benefits paid	(27,266,847)	(25,129,544)
Remeasurements - experience adjustments and actuarial valuation (gain) / loss from changes in financial assumptions	(81,913,480)	42,231,656
Closing balance	241,278,990	267,704,556
Expense recognised in statement of profit or loss		
Current service cost	59,888,359	52,334,733
Interest cost	22,866,402	13,356,824
	82,754,761	65,691,557
Charge for the year has been allocated to:		
- cost of sales	72,993,071	58,542,746
- administrative expenses	9,761,690	7,148,811
	82,754,761	65,691,557
Remeasurement recognised in other comprehensive income		
Remeasurements - experience adjustments and actuarial valuation (gain) / loss from changes in financial assumptions	(81,913,480)	42,231,656

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

	2019	2018	2017	2016	2015
			(Rupees)		
Present value of defined benefit obligation	241,278,990	267,704,556	184,910,887	154,870,599	170,383,383
Experience adjustments on obligation	(81,913,480)	42,231,656	(586,950)	(44,151,953)	38,285,637

Year-end sensitivity analysis:	Impact on defined benefit obligation		
	Change in assumption	Increase	Decrease
		(Rupees)	
Discount rate	1%	224,430,870	260,772,276
Salary growth rate	1%	260,772,276	224,151,858

23.1 The average duration of the defined benefit obligation as at June 30, 2019 is 8 years.

23.2 The expected contribution to defined benefit obligation for the year ending June 30, 2020 is Rs.99.294 million.

	Note	2019	2018
		(Rupees)	
24. TRADE AND OTHER PAYABLES			
Trade creditors		1,286,044,170	525,156,163
Bills payable	24.1	34,996,958	130,344,918
Due to Associated Companies	24.2	42,368,771	145,285,528
Accrued expenses		590,047,198	489,697,387
Tax deducted at source		24,173,977	8,307,241
Workers' (profit) participation fund	24.3	35,072,738	23,607,696
Others		–	215,433
		2,012,703,812	1,322,614,366

24.1 These are secured against the securities as detailed in note 26.

24.2 This represents amounts due to the following Associated Companies:

	2019	2018
	(Rupees)	
- Fatima Fertilizer Company Ltd.	34,101,996	30,610,298
- Fatima Sugar Mills Ltd.	–	107,076,881
- Pak Arab Fertilizers Ltd.	8,018,851	7,350,425
- Fazal Cloth Mills Ltd.	247,924	247,924
	42,368,771	145,285,528

		Note	2019 (Rupees)	2018 (Rupees)
24.3	**Workers' (profit) participation fund (the Fund)**			
	Opening balance		23,607,696	9,796,070
	Add: interest on funds utilised in the Company's business		1,659,007	353,262
			25,266,703	10,149,332
	Less: paid to workers		23,551,643	9,796,070
	Less: deposited in Government treasury		56,053	–
			1,659,007	353,262
	Add: allocation for the year		33,413,731	23,254,434
	Closing balance		35,072,738	23,607,696

25. ACCRUED MARK-UP

	Note	2019	2018
Mark-up accrued on:			
- long term finances		49,038,121	37,990,996
- liabilities against assets subject to finance lease		9,303	111,498
- advance received from Fatima Sugar Mills Ltd. (an Associated Company)		18,889,882	15,057,885
- short term borrowings		241,425,941	106,517,540
		309,363,247	159,677,919

26. SHORT TERM BORROWINGS

	Note	2019	2018
Short term finances - secured	26.1	7,426,060,910	5,821,345,019
Export finances- secured	26.3	356,606,406	243,267,400
		7,782,667,316	6,064,612,419
Temporary bank overdrafts - unsecured	26.4	33,349,140	15,557,187
		7,816,016,456	6,080,169,606

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.9,590 million (2018: Rs.8,990 million) and carry mark-up at the rates ranging from 6.81% to 14.55% (2018: 6.62% to 8.42%) on the outstanding balances. These facilities are expiring on various dates by March 31, 2020.

26.2 Out of the aggregate facilities of Rs.2,384 million (2018: Rs.1,480 million) for opening letters of credit and Rs.1,175 million (2018: Rs.560 million) for guarantees, which are the sub-limits of finance facilities mentioned in the preceding paragraph, the amounts utilised as at June 30, 2019 were Rs.228.709 million (2018: Rs.548.292 million) and Rs.78.159 million (2018: Rs.201.177 million) respectively. These facilities are expiring on various dates by March 31, 2020.

26.3 Export finance facilities available from commercial banks aggregate Rs.2,165 million (2018: Rs.2,175 million). Out of total facilities, the amount utilised aggregate Rs.356.606 million (2018: Rs.243.267 million). The rates of mark-up range from 2.93% to 13.62% (2018: 1.30% to 3.00%) on the outstanding balances. These facilities are expiring on various dates by March 31, 2020.

26.4 These temporary bank overdrafts have arisen due to issuance of cheques for amounts in excess of balances in bank accounts.

26.5 The aggregate facilities are secured against pledge of stocks (cotton, yarn, polyester, viscose and fabric), hypothecation / pari passu charge on all present and future current assets of the Company including stock-in-trade, trade debts, lien on import documents and personal guarantees of directors of the Company.

		Note	2019	2018
			(Rupees)	
27.	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term finances	21	517,060,287	660,714,596
	Liabilities against assets subject to finance lease	22	12,418,757	8,761,358
			529,479,044	669,475,954
28.	**TAXATION - Net**			
	Opening balance		135,429,016	70,595,775
	Add: provision made during the year:			
	current (net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.39.996 million; (2018: Rs.21.546 million)	28.2	157,659,604	135,429,016
	prior years - net		(10,923,236)	1,162,378
			146,736,368	136,591,394
			282,165,384	207,187,169
	Less: payments / adjustments made during the year against completed assessments		124,505,780	71,758,153
	Closing balance		157,659,604	135,429,016

28.1 Returns filed by the Company upto the tax year 2018 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

28.2 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 113 (Minimum tax on the income of certain persons) and 154 (Tax on export proceeds) of the Ordinance.

29. CONTINGENCIES AND COMMITMENTS

29.1 Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.153.133 million as at June 30, 2019 (2018: Rs.152.948 million) and are secured against the securities mentioned in note 26.5.

29.2 The Company is contingently liable for Rs.1.400 million Iqra surcharge on account of non-compliance of the provisions of SRO.1140(I) 97 in respect of 1,320 bales of raw cotton imported during the year 2001. However, all the contingencies previously attached to the particular case have already been decided in favour of the Company. Since Alternate Dispute Resolution Committee's recommendations and subsequent decisions by Federal Board of Revenue were in favour of the Company, the management is confident that the liability of Iqra surcharge on account of exportation of goods so manufactured from imported cotton will positively be waived-off.

29.3 The Company has filed a case before the Sindh High Court (SHC) against imposition of infrastructure cess levied by the Excise and Taxation Department, Karachi (the Department) under section 9 of the Sindh Finance Act, 1994 on imports made. As per the judgment of SHC, 50% of the demand would be paid by the Company while for the remaining 50%, guarantees would be issued in favour of the Department. As per the aforesaid judgment, the Company is paying the said 50% of demand on every import made and has arranged bank guarantees from Meezan Bank Ltd., Habib Bank Ltd., National Bank of Pakistan and Bank Alfalah Ltd. favouring the Department for Rs.17.486 million (2018: Rs.17.486 million), Rs.15 million (2018: Rs.15 million), Rs.3.743 million (2018: Rs.3.743 million) and Rs.40 million (2018: Rs.12 million) respectively. The Company has challenged the said judgement before the Supreme Court of Pakistan and the legal advisors are confident that ultimately the judgment will be in favour of the Company and accordingly no provision needs to be made in the financial statements for the year ended June 30, 2019.

29.4 Foreign bills discounted outstanding as at June 30, 2019 aggregated Rs.208.136 million (2018: Rs.469.078 million).

		2019	2018
		(Rupees)	
29.5	Commitments for irrevocable letters of credit:		
	- capital expenditure	33,002,116	281,092,632
	- others	9,508,062	154,446,775
		42,510,178	435,539,407

29.6 No stand-by letter of credit was outstanding as at June 30, 2019; [2018: a financial institution, on behalf of the Company, had issued stand-by letters of credit (SBLCs) aggregating Rs.67.956 million in favour of lenders of Fatima Energy Ltd. (FEL - an Associated Company) to honour the commitment of injection / investment in the equity of FEL by the Company. These SBLCs were valid upto April, 2019].

	Note	2019	2018
		(Rupees)	
30. SALES - Net			
Export		6,012,063,418	6,583,918,463
Local	30.1	10,548,974,814	7,000,456,767
Waste		208,497,561	220,863,995
		16,769,535,793	13,805,239,225
Less: Commission		161,458,008	137,965,128
		16,608,077,785	13,667,274,097
Add: Weaving, doubling and sizing income		–	472,900
Export duty drawback		–	247,886,785
		–	248,359,685
Less: Sales tax		2,918,496	1,772,917
		16,605,159,289	13,913,860,865

30.1 Local sales for the year include raw cotton and polyester sales aggregating Rs.125,754,705 (2018: Rs.37,449,181).

	Note	2019	2018
		(Rupees)	
31. COST OF SALES			
Raw materials consumed	31.1	12,514,036,526	9,551,485,191
Stores and spares		340,662,452	327,822,306
Packing materials consumed		102,350,752	89,825,945
Salaries, wages and benefits	31.2	899,571,987	822,345,075
Power and fuel		1,318,190,841	1,295,323,080
Repairs and maintenance		40,287,465	31,714,882
Depreciation	5.3	238,741,122	233,105,235
Insurance		33,294,838	33,649,380
Utilities		450,397	484,730
Others		62,111,006	65,906,273
		15,549,697,386	12,451,662,097
Adjustment of work-in-process			
Opening		248,384,218	183,721,862
Closing	10	(280,285,921)	(248,384,218)
		(31,901,703)	(64,662,356)
Cost of goods manufactured		15,517,795,683	12,386,999,741
Adjustment of finished goods			
Opening stock		887,857,766	1,069,075,374
Closing stock	10	(1,582,999,158)	(887,857,766)
		(695,141,392)	181,217,608
		14,822,654,291	12,568,217,349

31.1 Raw materials consumed

	Note	2019	2018
Opening stock		2,085,889,117	1,756,403,613
Purchases and purchase expenses		14,502,578,279	9,873,412,929
		16,588,467,396	11,629,816,542
Less: closing stock	10	(4,081,656,896)	(2,085,889,117)
		12,506,810,500	9,543,927,425
Cotton cess		7,226,026	7,557,766
	(a)	12,514,036,526	9,551,485,191

(a) Raw materials consumed include Rs.123,529,896 (2018: Rs.39,288,841) relating to the cost of yarn and cotton sold during the year.

31.2 Salaries, wages and benefits include Rs.72,993,071 (2018: Rs.58,542,746) in respect of staff retirement benefits - gratuity.

	Note	2019	2018
		(Rupees)	
32. DISTRIBUTION AND MARKETING EXPENSES			
Ocean freight and shipping		51,194,587	48,781,790
Local freight		40,369,715	41,239,555
Export development surcharge		15,420,236	13,404,996
Forwarding and clearing expenses		33,576,837	28,788,497
Marketing expenses		13,354,991	8,238,991
Other expenses		2,037,603	3,178,700
		155,953,969	143,632,529

	Note	2019	2018
33. ADMINISTRATIVE EXPENSES			
Salaries and benefits	33.1	105,164,126	89,118,819
Travelling and conveyance		17,492,000	15,282,117
Rent, rates and taxes		5,162,837	5,097,082
Entertainment		1,749,260	1,398,298
Utilities		2,286,562	1,910,032
Communication		3,925,930	4,392,969
Printing and stationery		2,321,680	2,258,115
Insurance		2,532,390	969,194
Repairs and maintenance		8,914,802	8,863,645
Vehicles' running and maintenance		9,687,885	7,921,084
Fees, subscription and periodicals		5,225,906	5,805,582
Advertisement		393,565	–
Auditors' remuneration:			
- statutory audit fee		1,200,000	1,000,000
- half yearly review		247,500	247,500
- certification charges		35,000	–
- short provision for the preceding year		215,000	–
- out-of-pocket expenses		45,000	100,000
		1,742,500	1,347,500
Legal and professional charges -other than Auditors		1,467,038	1,979,295
Depreciation	5.3	16,374,874	15,682,966
Amortisation	6	946,230	946,230
General		3,252,751	3,048,770
		188,640,336	166,021,698

33.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.9,761,690 (2018: Rs.7,148,811).

	Note	2019	2018
		(Rupees)	
34. OTHER INCOME			
Income from financial assets			
Dividend	34.1	4,594,041	5,906,624
Mark-up on advances to Associated Companies	34.2	8,776,655	2,655,650
Payable balances written-back		3,192,363	10,494,491
Exchange fluctuation gain - net		307,031,097	79,775,877
Profit on sales tax refund bonds		33,620	–
Income from non-financial assets			
Gain on dilution in investments	7	–	385,000
Gain on disposal of fixed assets	5.5	55,712	–
Others		81,138	130,187
		323,764,626	99,347,829

34.1 This represents dividend received on short term investments made in Fatima Fertilizer Company Ltd.

34.2 This represents mark-up amounting Rs.6,745273 (2018: Rs.1,033,274) on advance given to Fatima Energy Ltd., Rs.150,388 (2018: Rs.78,029) and Rs.1,880,994 (2018: Rs.1,544,347) on short term loan given to Reliance Commodities (Pvt.) Ltd. and advance given to Fatima Transmission Company Ltd. respectively.

	Note	2019	2018
		(Rupees)	
35. OTHER EXPENSES			
Donations	35.1	28,640,470	22,585,560
Loss on disposal of fixed assets - net	5.5	–	1,738,938
Realised loss on forward foreign exchange contracts		–	1,805,772
Receivable balances written-off		2,514,821	627,750
Workers' (profit) participation fund	24.3	33,413,731	23,254,434
Allowance for Expected Credit Loss	11	3,548,165	–
		68,117,187	50,012,454

35.1 Mian Mukhtar A. Sheikh Trust, Multan (a Charitable Institution) is administered by the following directors of the Company:

- Mr. Fawad Ahmed Mukhtar
- Mr. Faisal Ahmed Mukhtar
- Mr. Fazal Ahmed Sheikh

The Company, during the year, has donated Rs.25.700 million (2018: Rs.20.200 million) to this Trust.

		Note	2019	2018
			(Rupees)	
36.	**FINANCE COST**			
	Mark-up on:			
	- long term finances		181,563,590	157,156,073
	- liabilities against assets subject to finance lease		2,504,878	1,251,210
	- short term borrowings		742,421,666	407,968,620
	- short term loans from Associated Companies		3,731,999	3,958,262
	Interest on workers' (profit) participation fund	24.3	1,659,007	353,262
	Bank charges and commission		59,582,764	51,516,141
			991,463,904	622,203,568
37.	**TAXATION**			
	Current			
	- for the year	28	157,659,604	135,429,016
	- prior year	28	(10,923,236)	1,162,378
	Deferred		(18,228,377)	(5,719,449)
			128,507,991	130,871,945
38.	**EARNINGS PER SHARE**			
	There is no dilutive effect on earnings per share of the Company, which is based on:			
	Profit after taxation attributable to ordinary shareholders		502,804,757	310,579,076
			(No. of shares)	
	Weighted average number of ordinary shares in issue during the year		30,810,937	30,810,937
			(Rupee)	
	Earnings per share - basic		16.32	10.08

39. SEGMENT INFORMATION

39.1 Reportable segments

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

The Company's reportable segments are as follows:

– Spinning segment - production of different qualities of yarn using natural and artificial fibres.

– Weaving segment - production of different qualities of grey fabrics using yarn.

Information regarding the Company'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.

39.2 Information about reportable segments

	Spinning		Weaving		Total	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
External revenue	6,115,637,822	4,774,447,101	10,489,521,467	9,139,413,764	16,605,159,289	13,913,860,865
Inter-segment revenue	3,326,875,765	2,952,834,181	–	–	3,326,875,765	2,952,834,181
Cost of sales	(8,591,507,296)	(7,049,137,914)	(6,231,146,995)	(5,519,079,435)	(14,822,654,291)	(12,568,217,349)
Inter-segment cost of sales	–	–	(3,326,875,765)	(2,952,834,181)	(3,326,875,765)	(2,952,834,181)
Distribution and marketing expenses	(34,879,375)	(30,358,929)	(121,074,594)	(113,273,600)	(155,953,969)	(143,632,529)
Administrative expenses	(86,325,919)	(82,660,533)	(102,314,417)	(83,361,165)	(188,640,336)	(166,021,698)
Other income	67,416,623	12,504,100	256,348,003	86,843,729	323,764,626	99,347,829
Other expenses	(32,713,987)	(19,950,614)	(35,403,200)	(30,061,840)	(68,117,187)	(50,012,454)
Finance cost	(517,655,824)	(322,940,955)	(473,808,080)	(299,262,613)	(991,463,904)	(622,203,568)
Profit before taxation and share of loss of Associates	246,847,809	234,736,437	455,246,419	228,384,659	702,094,228	463,121,096

39.3 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 4 to the financial statements. Distribution & marketing expenses, administrative expenses, other income and other expenses are allocated on the basis of actual amounts incurred / earned for the segments. Finance cost relating to long term finances is also allocated on the basis of purpose of finances for which these are obtained and finance cost relating to short term borrowings is allocated on the basis of working capital requirements of the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

	2019	2018
	(Rupees)	
39.4 Reconciliation of reportable segment revenues and profit		
Total revenue from reportable segments	19,932,035,054	16,866,695,046
Elimination of inter-segment revenue	(3,326,875,765)	(2,952,834,181)
Sales - net	16,605,159,289	13,913,860,865
Total profit of reportable segments	702,094,228	463,121,096
Share of loss from Associated Companies	(70,781,480)	(21,670,075)
Tax for the year	(128,507,991)	(130,871,945)
Consolidated profit	502,804,757	310,579,076

39.5 Segment assets and liabilities

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

	Spinning	Weaving (Rupees)	Total
For the year ended June 30, 2019			
Segment assets for reportable segment			
- Operating fixed assets	3,520,045,458	2,693,135,671	6,213,181,129
- Stores, spares and loose tools	135,529,377	69,327,118	204,856,495
- Stock-in-trade	3,804,832,579	2,140,109,396	5,944,941,975
	7,460,407,414	4,902,572,185	12,362,979,599
Unallocated corporate assets			4,447,105,509
Total assets as per statement of financial position			16,810,085,108
Segment liabilities for reportable segment	4,877,864,125	5,303,294,760	10,181,158,885
Unallocated corporate liabilities			2,738,341,818
Total liabilities as per statement of financial position			12,919,500,703

	Spinning	Weaving (Rupees)	Total
For the year ended June 30, 2018			
Segment assets for reportable segment			
- Operating fixed assets	3,307,251,511	2,317,561,544	5,624,813,055
- Stores, spares and loose tools	136,558,692	84,165,566	220,724,258
- Stock-in-trade	1,949,432,266	1,272,698,835	3,222,131,101
	5,393,242,469	3,674,425,945	9,067,668,414
Unallocated corporate assets			4,199,240,244
Total assets as per statement of financial position			13,266,908,658
Segment liabilities for reportable segment	4,098,095,005	3,865,379,831	7,963,474,836
Unallocated corporate liabilities			1,901,641,476
Total liabilities as per statement of financial position			9,865,116,312

39.6 For the purposes of monitoring segment performance and allocating resources between segments

– operating property, plant & equipment, stock-in-trade and stores, spares & loose tools are allocated to reportable segment while all other assets are held under unallocated corporate assets; and

– long term finances, short term borrowings and liabilities against assets subject to finance lease are allocated to reportable segment and all other liabilities, i.e. staff retirement benefit - gratuity, trade & other payables, taxation and accrued mark-up are held under unallocated corporate liabilities.

		2019	2018
		(Rupees)	
39.7	**Gross revenue from major products and services**		
	Fabric export sales	5,096,367,123	5,465,840,218
	Yarn export sales	915,696,295	1,118,078,246
	Fabric local sales	5,506,233,277	3,565,568,793
	Yarn local sales	4,916,936,213	3,397,438,793
	Cotton and polyester local sales	125,754,705	37,449,181
	Waste local sales	208, 548,180	220,863,994
		16,769,535,793	13,805,239,225
39.8	**Gross revenue from major customers of segment**		
	Spinning	2,440,530,483	1,929,283,941
	Weaving	4,957,609,287	4,099,985,644
		7,398,139,770	6,029,269,585

39.9 Geographical information

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

	2019	2018
	(Rupees)	
Pakistan	10,757,472,375	7,221,320,762
Asia	3,703,071,413	4,842,192,621
Europe	2,080,899,049	1,413,314,592
Africa	228,092,956	328,411,250
	16,769,535,793	13,805,239,225

39.10 All non-current assets of the Company as at June 30, 2019 are located and operating in Pakistan.

39.11 Other segment information

	Spinning	Weaving	Total
		(Rupees)	
For the year ended June 30, 2019			
Capital expenditure	353,365,793	499,521,667	852,887,460
Depreciation			
Cost of sales	133,463,568	105,277,554	238,741,122
Administrative expenses	6,973,920	9,400,954	16,374,874
	140,437,488	114,678,508	255,115,996

	Spinning	Weaving (Rupees)	Total
For the year ended June 30, 2018:			
Capital expenditure	45,099,590	200,416,368	245,515,958
Depreciation			
Cost of sales	137,567,514	95,537,721	233,105,235
Administrative expenses	8,422,798	7,260,168	15,682,966
	145,990,312	102,797,889	248,788,201

	2019 (Rupees)	2018
40. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	631,312,748	441,451,021
Adjustments for non-cash charges and other items:		
Depreciation	255,115,996	248,788,201
(Gain) / loss on disposal of fixed assets - net	(55,712)	1,738,938
Amortisation	946,230	946,230
Allowance for ECL on trade debts	3,548,165	–
Staff retirement benefits - gratuity	82,754,761	65,691,557
Share of loss from Associates	70,781,480	21,670,075
Interest on workers' (profit) participation fund	1,659,007	353,262
Provision for workers' (profit) participation fund	33,413,731	23,254,434
Receivable balances written-off	2,514,821	627,750
Payable balances written-back	(3,192,363)	(10,494,491)
Finance cost	989,804,897	621,850,306
Realised gain on forward foreign exchange contracts	–	1,805,772
Gain on dilution of investments	–	(385,000)
	2,068,603,761	1,417,298,055
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	15,867,763	(38,583,155)
Stock-in-trade	(2,722,810,874)	(212,930,252)
Trade debts	(278,998,783)	(1,403,947,053)
Loans and advances	(138,089,327)	44,464,603
Prepayments and other receivables	(10,775,405)	3,102,196
Sales tax refund bonds and accrued profit	(40,933,620)	–
Tax refunds due from the Government (excluding income tax)	153,517,113	(166,506,499)
Increase in trade and other payables	681,816,767	447,376,895
	(2,340,406,366)	(1,327,023,265)
Cash (used in) / generated from operations	(271,802,605)	90,274,790

	2019	2018
	(Rupees)	
41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
Financial assets		
At fair value through other comprehensive income		
Short term investments	137,331,496	106,535,112
At amortised cost		
Long term deposits	20,215,887	21,019,180
Trade debts	2,281,363,323	2,005,912,705
Loans and advances	401,624,954	263,181,937
Other receivables	34,360,722	25,746,768
Cash and bank balances	113,072,872	79,087,040
	2,850,637,758	2,394,947,630
Financial liabilities		
At amortised cost		
Long term finances	2,343,894,848	1,860,140,047
Liabilities against assets subject to finance lease	21,247,580	23,165,184
Trade and other payables	1,953,457,097	1,290,699,429
Unclaimed dividends	17,336,166	16,215,618
Accrued mark-up	309,363,247	159,677,919
Short term finances	7,782,667,316	6,064,612,419
	12,427,966,254	9,414,510,616

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

41.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

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

	Rupess	U.S. $	Euro	JPY	CHF
2019					
Trade debts	1,220,860,589	7,496,045	–	–	–
Bank balances	38,151,176	234,247	–	–	–
Short term export borrowings	(356,606,406)	(2,184,529)	–	–	–
Bills payable	(34,996,958)	(214,387)	–	–	–
Gross statement of financial position exposure	867,408,401	5,331,376	–	–	–
Outstanding letters of credit	(42,510,178)	(158,215)	(21,246)	(2,347,500)	(54,847)
Net exposure	824,898,223	5,173,161	(21,246)	(2,347,500)	(54,847)
2018					
Trade debts	1,519,112,032	12,508,405	–	–	–
Bank balances	564,244	4,646	–	–	–
Short term export borrowings	(243,267,400)	(2,000,000)	–	–	–
Bills payable	(130,344,918)	(1,033,697)	(7,484)	(3,276,500)	–
Gross statement of financial position exposure	1,146,063,958	9,479,354	(7,484)	(3,276,500)	–
Outstanding letters of credit	(435,539,407)	(1,127,811)	(37,028)	(261,421,248)	(56,246)
Net exposure	710,524,551	8,351,543	(44,512)	(264,697,748)	(56,246)

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
U.S. $ to Rupee	142.16	113.38	162.8 / 163.2	121.4 / 121.6
Euro to Rupee	163.29	130.42	185.1 / 185.6	141.33 / 141.57
JPY to Rupee	1.303	1.008	1.512 / 1.516	1.097 / 1.099
CHF to Rupee	144.57	115.29	166.98 / 167.38	122.11 / 122.32

Sensitivity analysis

At June 30, 2019, if Rupee had strengthened by 10% against U.S. Dollar, Euro and JPY with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

Effect on profit for the year:

	2019	2018
	(Rupees in thousand)	
U.S.$ to Rupee	(86,830,681)	(115,079,358)
Euro to Rupee	–	105,973
JPY to Rupee	–	360,087

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018	2019	2018
	Effective mark -up rate		Carrying amount	
	%		(Rupees in thousand)	
Financial liabilities				
Fixed rate instruments				
Long term finances	–	5.00% to 12.70%	–	492,216,818
Variable rate instruments				
Long term finances	3.50% to 15.46%	5.00% to 9.04%	2,343,894,848	1,367,923,229
Liabilities against assets subject to finance lease	8.54% to 12.40%	7.65% to 8.21%	21,247,580	23,165,184
Short term borrowings	6.81% to 14.55%	6.62% to 8.42%	7,426,060,910	5,821,345,019
Short term export finances	2.93% to 13.62%	1.30% to 3%	356,606,406	243,267,400

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2019, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs.101.478 million (2018: Rs.74.557 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

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

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. Price risk arises from the Company's investments in ordinary shares of listed companies. To manage the price risk arising from the aforesaid investments, the Company actively monitors the key factors that affect stock price movement.

Sensitivity analysis

A 10% increase / decrease in share prices at the year-end would have increased / decreased the unrealised gain on remeasurement of short term investments at fair value through other comprehensive income as follows:

	2019	2018
	(Rupees)	
Effect on equity	11,585,180	8,505,541

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / equity and assets of the Company.

41.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from trade debts, short term investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit and contracts. The management has set a maximum credit period of 15 days in respect of yarn and fabric parties to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	2019	2018
	(Rupees)	
Long term deposits	20,215,887	21,019,180
Trade debts	2,281,363,323	2,005,912,705
Loans and advances	57,762,805	60,648,011
Other receivables	34,360,722	25,746,768
Short term investments	78,361,236	85,055,412
Bank balances	110,563,971	74,034,200
	2,582,627,944	2,272,416,276
Trade debts exposure by geographic region is as follows:		
Domestic	1,060,502,734	486,800,673
Export	1,220,860,589	1,519,112,032
	2,281,363,323	2,005,912,705

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of counterparty was:

	2019	2018
	(Rupees)	
Fabric customers against:		
- export sales	1,220,860,589	1,519,112,032
- local sales	369,218,476	87,574,087
Yarn customers against local sales	691,284,258	399,226,586
	2,281,363,323	2,005,912,705

The majority of export debts of the Company are situated in Asia and Europe.

The ageing of trade debts at the year-end was as follows:

	2019	2018
	(Rupees)	
Neither past due nor impaired	1,220,860,589	1,519,112,030
Past due 0-30 days	854,970,335	342,709,406
Past due 30-150 days	201,196,035	136,563,732
Past due 150-360 days	341,875	3,137,074
Past due 360 days	3,994,489	4,390,463
	2,281,363,323	2,005,912,705

Export debtors are secured against letters of credit and contracts whereas local debtors are unsecured and considered good. Management assesses the credit quality of local customers taking into account their financial position, past experience and other factors. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

The Company always measures the loss allowance for trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of Rs.3.548 million against all local trade debts.

Based on past experience, the Company's management believes that, except for ECL allowance, no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.1,765.077 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

Out of total trade debts, 53% (2018: 76%) comprise of foreign debtors that are secured against letters of credit and contracts. Local trade debts include customers with very good credit history and are regular in their payments. The management continuously monitors the repayment capacity and intention of their debtors and extends the credit periods to their customers according to their credit history.

Bank balances

The credit quality of Company's bank balances can be assessed with reference to external credit ratings assigned to them as follows:

	Rating		Rating Agency	2019	2018
	Short term	Long term		(Rupees)	
Bank Alfalah Ltd.	A-1+	AA+	JCR-VIS	33,236,615	14,300,818
The Bank of Khyber	A-1	A	JCR-VIS	10,312,330	298,075
Al-Baraka Bank (Pakistan) Ltd.	A-1	A+	JCR-VIS	344,362	3,556,734
Habib Bank Ltd.	A-1+	AAA	JCR-VIS	964,199	226,947
JS Bank Ltd.	A1+	AA-	PACRA	2,086,980	2,876,059
Meezan Bank Ltd.	A-1+	AA+	JCR-VIS	9,922,879	2,109,599
Standard Chartered Bank (Pakistan) Ltd.	A1+	AAA	PACRA	565	2,504
Askari Bank Ltd.	A1+	AA+	PACRA	12,258,059	6,164,636
Faysal Bank Ltd.	A1+	AA	PACRA	42,343	235,312
Dubai Islamic Bank Pakistan Ltd.	AA-	A-1	JCR-VIS	403,638	2,110,239
Summit Bank Ltd.	A-1	A-	JCR-VIS	578,260	536,012
BankIslami Pakistan Ltd.	A1	A+	PACRA	1,906,337	2,817,619
Bank Al Habib Ltd.	A1+	AA+	PACRA	11,013,424	17,184
Allied Bank Ltd.	A1+	AAA	PACRA	1,944	–
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	13,544,415	5,882,159
MCB Bank Ltd.	A1+	AAA	PACRA	423,110	483,278
National Bank of Pakistan	AAA	A-1+	JCR-VIS	7,487,589	1,112,707
Sindh Bank Ltd.	A-1+	AA	JCR-VIS	60,063	3,061,309
United Bank Ltd.	A-1+	AAA	JCR-VIS	1,917,054	2,059,802
The Bank of Punjab	A1+	AA	PACRA	4,059,805	26,183,207
				110,563,971	74,034,200

41.4 Liquidity risk

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

Financial liabilities in accordance with their contractual maturities are presented below:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 Years and above
			(Rupees)		
2019					
Long term finances	2,343,894,848	3,034,146,118	675,610,663	1,764,716,392	593,819,063
Liabilities against assets subject to finance lease	21,247,580	24,417,549	14,785,193	9,632,356	–
Trade and other payables	1,953,457,097	1,953,457,097	1,953,457,097	–	–
Short term borrowings	7,782,667,316	8,224,064,586	8,224,064,586	–	–
Unclaimed dividends	17,336,166	17,336,166	17,336,166	–	–
Accrued mark-up	309,363,247	309,363,247	309,363,247	–	–
	12,427,966,254	13,562,784,763	11,194,616,952	1,774,348,748	593,819,063

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 Years and above
			(Rupees)		
2018					
Long term finances	1,860,140,047	2,148,974,635	638,137,813	1,294,796,730	216,040,092
Liabilities against assets subject to finance lease	23,165,184	25,501,829	10,250,060	15,251,769	–
Trade and other payables	1,290,699,429	1,290,699,429	1,290,699,429	–	–
Short term borrowings	6,064,612,419	6,172,684,174	6,172,684,174	–	–
Unclaimed dividends	16,215,618	16,215,618	16,215,618	–	–
Accrued mark-up	159,677,919	159,677,919	159,677,919	–	–
	9,414,510,616	9,813,753,604	8,287,665,013	1,310,048,499	216,040,092

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

41.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. At June 30, 2019, the carrying values of all financial assets and liabilities as disclosed in the statement of financial position approximate to their fair values.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the statement of financial position date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity and debt investments measured at fair value through other comprehensive income at the end of the reporting period in the fair value hierarchy into which the fair value measurement is categorised:

	2019	**2018**
	(Rupees)	
Short term investments at fair value through other comprehensive income:		
- equity investment under level 1	78,361,236	85,055,412
- debt investment under level 2	37,490,560	–

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

42. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the Company's 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 to safeguard it's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders.

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

The debt-to-equity ratios as at June 30, were as follows:

	2019	2018
	(Rupees)	
Total debt	10,181,158,884	7,963,474,837
Total equity and debt	14,071,743,289	11,365,267,183
Debt-to-equity ratio	72%	70%

43. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	Director		Key management personnael	
	2019	2018	2019	2018
	(Rupees)			
Managerial remuneration	–	3,339,600	15,887,265	11,117,402
House rent allowance	–	–	2,875,523	2,223,480
Medical	–	–	1,437,762	1,111,740
Utilities and other allowances	–	–	1,258,041	2,140,100
Bonus	–	–	1,411,189	824,250
	–	3,339,600	22,869,780	17,416,972
Number of persons	–	1	8	7

43.1 The Company provides its directors and key management personnel with free use of maintained cars.

43.2 Meeting fees of Rs.390 thousand (2018: Rs.300 thousand) were also paid to two (2018: two) non-working directors during the year.

44. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities				
	Long term finances	Lease finances	Short term borrowings	Dividend	Total
			(Rupees)		
Balance as at July 01, 2017	2,592,443,428	4,612,186	4,581,655,931	5,060,952	7,183,772,497
Changes from financing activities					
Finances obtained	124,233,424	26,484,500	–	–	150,717,924
Finances repaid	(856,536,805)	(7,931,502)	–	–	(864,468,307)
Finances obtained - net of repayments	–	–	1,498,513,675	–	1,498,513,675
Dividend declared	–	–	–	46,216,405	46,216,405
Dividend paid	–	–	–	(35,061,739)	(35,061,739)
	(732,303,381)	18,552,998	1,498,513,675	11,154,666	795,917,958
Balance as at June 30, 2018	1,860,140,047	23,165,184	6,080,169,606	16,215,618	7,979,690,455
Changes from financing activities					
Finances obtained	1,114,469,395	8,684,301	–	–	1,123,153,696
Finances repaid	(630,714,594)	(10,601,905)	–	–	(641,316,499)
Finances obtained - net of repayments	–	–	1,735,846,850	–	1,735,846,850
Dividend declared	–	–	–	69,324,608	69,324,608
Dividend paid	–	–	–	(68,204,060)	(68,204,060)
	483,754,801	(1,917,604)	1,735,846,850	1,120,548	2,218,804,595
Balance as at June 30, 2019	2,343,894,848	21,247,580	7,816,016,456	17,336,166	10,198,495,050

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 43. Other significant transactions with related parties are as follows:

Description of transaction	Nature of relate	2019	2018
		(Rupees)	
Fazal Cloth Mills Ltd.	Associate		
Purchase of goods and services		27,985,300	22,857,306
Sale of goods and services		–	3,066,800
Advances made		27,985,300	–
Fazal Weaving Mills Ltd.	Associate		
Purchase of goods and services		31,365,800	28,289,200
Advances made		31,365,800	–
Reliance Commodities (Pvt.) Ltd.	Associate		
Mark-up income		150,388	78,029
Advances made		16,800,000	2,300,000
Advances received		16,700,000	2,300,000
Expenses charged		418,005	–

Description of transaction	Nature of relate	2019	2018
		(Rupees)	
Fatima Sugar Mills Ltd.	Associate		
Mark-up expense		3,731,999	3,956,368
Advances received		819,500,000	1,208,700,000
Advances repaid		943,500,000	1,204,700,000
Expenses charged by		2,286,443	–
Expenses charged to		24,661,309	–
Fatima Energy Ltd.	Associate		
Mark-up income		6,745,277	1,033,274
Advances made		72,861,285	–
Funds received		–	363,703
Stand-by letters of credit		–	67,956,350
Expenses charged by		76,143	–
Fatima Transmission Co. Ltd.	Associate		
Mark-up income		1,880,994	1,542,553
Mian Mukhtar A. Sheikh Trust, Multan	Associate		
Donations made		25,700,000	20,200,000
Fatima Fertilizer Company Ltd.	Related party *		
Dividend Income		4,594,041	5,906,624
Expenses charged by		3,554,078	–
Expenses charged to		62,380	–
Pakarab Fertilizer Ltd.	Related party *		
Purchase of services		668,426	–
Fatima Cement Ltd.	Related party *		
Expenses charged to		1,541,057	220,065
Funds received		1,761,122	–

All transactions with related parties have been carried-out on commercial terms and conditions.

* These are related parties due to common directorship

	2019	2018
	(Rupees)	
46. CAPACITY AND PRODUCTION		
Unit 1 (Weaving)		
Number of looms installed	104	104
Capacity after conversion into 50 picks - Meters	21,520,630	21,520,630
Actual production of fabrics after conversion into 50 picks - Meters	20,393,981	21,352,892
Unit 2 (Weaving)		
Number of looms installed	204	204
Capacity after conversion into 50 picks - Meters	52,290,325	52,290,325
Actual production of fabrics after conversion into 50 picks - Meters	50,631,660	50,834,547
Unit 5 (Weaving)		
Number of looms installed	88	40
Capacity after conversion into 50 picks - Meters	17,884,017	10,653,513
Actual production of fabrics after conversion into 50 picks - Meters	17,204,710	10,028,434

Under utilisation of available weaving capacity was due to:

- Electricity shut downs
- Due to normal maintenance
- Change of articles required
- Width loss due to specification of the cloth

	2019	2018
Unit 3 (Spinning)		
Number of spindles installed	17,760	14,400
Capacity after conversion into 20 count - Kgs	4,783,862	4,023,142
Actual production of yarn after conversion into 20 count - Kgs	4,422,249	3,619,438
Unit 4 (Spinning)		
Number of spindles installed	47,520	47,520
Capacity after conversion into 20 count - Kgs	16,433,195	16,433,195
Actual production of yarn after conversion into 20 count - Kgs	15,933,626	15,366,674

Under utilisation of available spinning capacity of Unit 3 and Unit 4 was due to:

- Electricity shut downs
- Processing mix of coarser and finer counts

		2019	2018
		(Numbers)	
47.	**NUMBER OF EMPLOYEES**		
	Number of persons employed as at June 30,		
	- permanent	2,273	2,151
	- contractual	218	255
		2,491	2,406
	Average number of employees during the year		
	- permanent	2,175	2,112
	- contractual	235	229
		2,410	2,341

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2019 by the board of directors of the Company.

49. EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on September 30, 2019 has proposed a final cash dividend of Rs.3.50 per share (2018: Rs.2.25 per share) for the year ended June 30, 2019. The financial statements for the year ended June 30, 2019 do not include the effect of proposed dividend amounting Rs.107.838 million (2018: Rs.69.325 million), which will be accounted for in the financial statements for the year ending June 30, 2020 after approval by the members in the annual general meeting to be held on October 28, 2019.

50. FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; however, no significant re-classifications / re-statements have been made to these financial statements:

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

OTHERS & LEGAL FORMS

INCOME TAX RETURN FILING STATUS

The Company Secretary
Reliance Weaving Mills Limited
2nd Floor, Trust Plaza, L.M.Q. Road
Multan.

Dear Sir,

I, Mr./Mrs./Ms. ______________________ S/O, D/O, W/O ____ hereby confirm that I am registered as National Tax Payer and my relevant details are given below:-

Folio No./CDC A/c No.	Name	NTN No.	CNIC # in case of individual & CUIN in case of Company	Income Tax return for the year _______ filed

It is stated that the above mentioned information is correct.

____
Signatures of Shareholder

Note:

- Shareholders are also requested to communicate aforesaid information to their relevant Participants / Brokers and CDC (in case of CDC Account holders).
- Please attach an attested copy of CNIC and receipt of Income Tax return filed.

MANDATORY REQUIREMENT OF BANK ACCOUNT DETAILS FOR ELECTRONIC CREDIT

OF CASH DIVIDEND PAYMENT AS PER THE COMPANIES ACT, 2017

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is **mandatory** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information **to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) OR to our Shares Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400 (in case your shareholding is in Physical Form)**:

<table>
<tr><th colspan="2"><u>Details of Shareholder</u></th></tr>
<tr><td>Name of shareholder</td><td></td></tr>
<tr><td>Folio / CDS Account No.</td><td></td></tr>
<tr><td>CNIC No.
(Copy attached)</td><td></td></tr>
<tr><td>Cell number of shareholder</td><td></td></tr>
<tr><td>Landline number of shareholder, if any</td><td></td></tr>
<tr><td>Email</td><td></td></tr>
<tr><th colspan="2"><u>Details of Bank Account</u></th></tr>
<tr><td>Title of Bank Account</td><td></td></tr>
<tr><td>International Bank Account Number (IBAN) “Mandatory”</td><td>PK____ (24 digits)

(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).</td></tr>
<tr><td>Bank’s name</td><td></td></tr>
<tr><td>Branch name and address</td><td></td></tr>
<tr><td colspan="2">It is stated that the above mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Shares Registrar accordingly.

____
Signature of shareholder</td></tr>
</table>

E-VOTING

AS PER THE COMPANIES (E-VOTING) REGULATIONS, 2016

I/We, ________________ of _________________, being a member of Reliance Weaving Mills Limited, holder of _____________ Ordinary Share(s) as per Register Folio No. /CDC Account No. ______________ hereby opt for E-Voting through intermediary and hereby consent the appointment of execution officer ______________________ as proxy and will exercise E-Voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is __________________________, please send login details, password and other requirements through email.

Signed under my/our hand this ________ day of _____________ 20 ____.

Signature of Member

Signed in the presence of:

--	--
Signature of Witness	Signature of Witness
Name: ________________________________	Name: ________________________________
CNIC/Passport No: ______________________	CNIC/Passport: _________________________
Address: ______________________________	Address: ______________________________

E-voting بمطابق E-voting ریگولیشنز

میں/ہم .... آف .... بحیثیت ممبر ریلائنس ویونگ ملز لمیٹڈ حامل .... عام شیئرز رجسٹرڈ فولیو نمبر/ CDC اکاؤنٹ نمبر .... دوسرے شخص کے ذریعے E-voting کی آپشن اختیار کرتا ہوں اور اس پر عمل کے لئے .... کو بحیثیت پراکسی Execution آفیسر مقرر کرنے پر رضا مندی ظاہر کرتا ہوں کہ وہ کمپنی۔ 2016ء کے قواعد کے تحت E-voting میں حصہ لے گا اور میں/ ہم قرارداد کیلئے انتخاب کا مطالبہ کرتا ہوں/ کرتے ہیں۔

میرا محفوظ کردہ E-mail ایڈریس .... ہے۔

برائے مہربانی مجھے/ ہمیں Login تفصیلات، Password اور دیگر مطلوبہ معلومات بذریعہ E-mail ارسال کریں۔

میرے/ ہمارے دستخط .... مورخہ .... سال ....

ممبر کے دستخط

گواہ کے دستخط	گواہ کے دستخط
نام	نام ....
CNIC / پاسپورٹ نمبر	CNIC / پاسپورٹ نمبر ....
ایڈریس	ایڈریس ....

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019

No. of Shareholders	From		To	Shares Held
172	1	to	100	5,782
664	101	to	500	155,040
498	501	to	1000	438,293
207	1001	to	5000	505,791
44	5001	to	10000	349,118
20	10001	to	15000	264,427
13	15001	to	20000	240,686
6	20001	to	25000	142,750
4	25001	to	30000	111,241
2	30001	to	35000	65,500
1	35001	to	40000	39,000
2	40001	to	45000	87,000
2	45001	to	50000	98,000
4	50001	to	55000	216,682
1	55001	to	60000	60,000
2	60001	to	65000	124,000
3	65001	to	70000	207,500
1	90001	to	95000	90,310
2	95001	to	100000	196,983
1	100001	to	105000	103,891
2	110001	to	115000	225,125
3	115001	to	120000	354,157
1	140001	to	145000	140,625
1	150001	to	155000	153,393
1	160001	to	165000	162,000
1	220001	to	225000	225,000
1	225001	to	230000	225,950
1	335001	to	340000	337,500
1	390001	to	395000	394,500
1	590001	to	595000	592,645
1	845001	to	850000	845,705
1	7850001	to	7855000	7,854,550
1	7885001	to	7890000	7,886,071
1	7910001	to	7915000	7,911,722
1666	Total			30,810,937

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019

Category - Wise

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouse(s) and Minor Children		
FAWAD AHMED MUKHTAR	7,854,550	25.49
FAZAL AHMED SHEIKH	7,925,722	25.72
FAISAL AHMED MUKHTAR	7,886,071	25.60
FAHD MUKHTAR	25,000	0.08
AMBREEN FAWAD	115,625	0.38
FATIMA FAZAL	140,625	0.46
FARAH FAISAL	112,500	0.37
MUHAMMAD SHAUKAT	3,455	0.01
SHAHID AZIZ	5	0.00
Associated Companies, undertakings and related parties		
FATIMA HOLDING LIMITED	845,705	2.74
RELIANCE COMMODITIES (PVT) LTD	3	0.00
Executives	–	–
Public Sector Companies and Corporations	3,053	0.01
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	54,182	0.18
Mutual Funds	592,645	1.92
General Public		
Local	5,015,113	16.27
Foreign Companies	–	–
Others	236,683	0.77
Total	30,810,937	100.00

NOTES

AGM

on Monday, October 28th, 2 019 at 11:30 am

and / or any adjournment thereof.

FORM OF PROXY
29th Annual General Meeting

I/We ____

of ____

being a member(s) of Reliance Weaving Mills Limited hold ____________________

Ordinary Shares hereby appoint Mr. / Mrs. / Miss ____________________

of ____________________ or falling him / her ____________________

of ____________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 29th Annual General Meeting of the Company to be held on Monday, October 28, 2019 at 11:30 a.m. and / or any adjournment thereof.

As witness my/our hand/seal this ____________________ 2019.

Signed by ____

in the presence of ____

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

Signature on Five Rupees Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the office of our Shares Registrar not later than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

ریلائنس ویونگ ملز لمیٹڈ

پراکسی فارم
29 واں سالانہ عمومی اجلاس

میں / ہم --

ساکن ---بطور ممبر(ز) ریلائنس ویونگ ملز لمیٹڈ

حامل ------------------------------عام حصص، محترم / محترمہ --

ساکن --یا ان کے حاضر نہ ہو سکنے کی صورت میں------------------------------

ساکن ---کو اپنے/ہمارے ایما پر کمپنی کے مورخہ 28 اکتوبر 2019

بروز پیر 11:30 بجے کمپنی کے رجسٹرڈ آفس سیکنڈ فلور ٹرسٹ پلازہ ایل ایم کیو روڈ ملتان میں ہونے والے 29 واں 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 ------------بتاریخ----------اکتوبر 2019--------------------------کی موجودگی میں دستخط ہوئے۔

پانچ روپے کے ریسدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت 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 شیئرز رجسٹرار کے دفتر میں 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 کالعدم قرار دیئے جائیں گے۔

3۔ سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہو گی۔

INVESTORS' EDUCATION

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

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