

2019

59th
ANNUAL

REPORT

BIBOJEE GROUP



JANANA
DE MALUCHO
TEXTILE MILLS LIMITED

يَارِبُّ الْعِزَّةِ
بِهِمِ اللّٰهُ الرَّحْمٰنُ الرَّحِیْمُ

CONTENTS

| | Pages |
|--|-------|
| COMPANY'S PROFILE | 2 |
| VISION STATEMENT | 3 |
| NOTICE OF ANNUAL GENERAL MEETING | 4 |
| CHAIRMAN'S REVIEW | 7 |
| DIRECTORS' REPORT TO SHAREHOLDERS (English & اُردو)..... | 10 |
| KEY OPERATING & FINANCIAL DATA..... | 24 |
| PATTERN OF SHAREHOLDING..... | 25 |
| STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE | 28 |
| REVIEW REPORT..... | 30 |
| AUDITORS' REPORT..... | 31 |
| STATEMENT OF FINANCIAL POSITION..... | 35 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 36 |
| STATEMENT OF CHANGES IN EQUITY..... | 37 |
| STATEMENT OF CASH FLOWS | 38 |
| NOTES TO THE FINANCIAL STATEMENTS | 39 |
| PROXY FORM | 77 |

COMPANY'S PROFILE

| | | |
|--|--|---|
| BOARD OF DIRECTORS | MR. RAZA KULI KHAN KHATTAK LT. GEN. (RETD.) ALI KULI KHAN KHATTAK, MR. MUSHTAQ AHMAD KHAN, FCA MRS. SHAHNAZ SAJJAD AHMAD MR. GOHAR AYUB KHAN BRIG. (RETD) ABDUL SAMAD KHAN MR. SAAD WAHEED MR. KHALID KULI KHAN KHATTAK COL. (RETD.) SYED YUNUS ALI RAZA | Chairman Chief Executive |
| AUDIT COMMITTEE | BRIG. (RETD) ABDUL SAMAD KHAN MR. RAZA KULI KHAN KHATTAK MR. SAAD WAHEED COL. (RETD.) SYED YUNUS ALI RAZA | Chairman Member Member Member |
| HUMAN RESOURCE & REMUNERATION COMMITTEE | BRIG. (RETD) ABDUL SAMAD KHAN LT. GEN. (RETD.) ALI KULI KHAN KHATTAK MR. SAAD WAHEED COL. (RETD.) SYED YUNUS ALI RAZA | Chairman Chief Executive / Member Member Member |
| CHIEF FINANCIAL OFFICER | MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Sr. Gen. Manager Finance & Corporate Affairs | |
| COMPANY SECRETARY | MR. ABID RAZA, B. Com., APFA, Affiliate (ICAP) | |
| HEAD OF INTERNAL AUDIT | MR. NADEEM AHMED, ACCA, CIA | |
| AUDITORS | SHINEWING HAMEED CHAUDHRI & CO., Chartered Accountants | |
| BANKERS | NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED | |
| LEGAL ADVISOR | HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE | |
| TAX CONSULTANTS | M. NAWAZ KHAN & CO. GROUND FLOOR, FARRAH CENTRE, 2-MOZZANG ROAD, LAHORE | |
| REGISTRARS & SHARES REGISTRATION OFFICE | MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI TEL. 021-35375127-29, FAX. 021-35820325 EMAIL registrationservices@live.co.uk | |
| REGISTERED OFFICE & MILLS | HABIBABAD, KOHAT (KPK) TEL. 0922 - 862161 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk, janana_textile@hotmail.com WEB SITE: www.jdm.com.pk | |

VISION

“TO BE MARKET LEADERS IN YARN, BUILDING COMPANY IMAGE THROUGH INNOVATION AND COMPETITIVENESS, ENSURING SATISFACTION TO CUSTOMERS' AND STAKEHOLDERS AND TO FULFILL SOCIAL OBLIGATIONS.”

MISSION STATEMENT

“LEAD PRODUCER OF QUALITY YARN WE SHALL BUILD ON OUR CORE COMPETENCIES AND ACHIEVE EXCELLENCE IN PERFORMANCE. WE AIM AT EXCEEDING EXPECTATIONS OF ALL STAKEHOLDERS. WE TARGET TO ACHIEVE TECHNOLOGICAL ADVANCEMENTS TO INCULCATE THE MOST EFFICIENT, ETHICAL AND TIME TESTED BUSINESS PRACTICES IN OUR MANAGEMENT.

WE SHALL STRIVE TO INNOVATE AND INTRODUCE ALTERNATE USES OF PRODUCT TO BROADEN OUR CUSTOMER BASE TO HELP STRENGTHEN THE PHYSICAL INFRASTRUCTURE OF THE COUNTRY.”

OVER ALL CORPORATE STRATEGY

1. TO ACHIEVE GROWTH BY MONITORING OUR MARKET NICHE IN SUPER FINE & FINE COUNTS, AND AT THE SAME TIME DIVERSIFYING OUR PRODUCTS RANGE TO ENTER NEW PROFITABLE MARKETS.
2. TO CONSTANTLY IMPROVE PRODUCTIVITY, QUALITY AND SERVICES WHICH WILL NOT ONLY SERVE THE MARKET CONSUMERS BUT WILL ALSO RESULT IN ENHANCED PAYMENT OF SALES TAX, INCOME TAX AND OTHER GOVERNMENT LEVIES.
3. TO PROVIDE CLEAN AND POLLUTION FREE ENVIRONMENT TO OUR EMPLOYEES FOR IMPROVING THEIR PERFORMANCE & CREATING A CORPORATE CULTURE THAT FOSTERS INITIATIVE IN ITS WORK FORCE.
4. TO CONSTANTLY STRIVE FOR INCREASING INVESTOR'S SHARE VALUE BY ACHIEVING COMMENDABLE RESULTS EVEN IN VERY DIFFICULT AND HIGHLY COMPETITIVE INTERNATIONAL & LOCAL MARKETS.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 59th Annual General Meeting of the company will be held on **Thursday the 24th October, 2019 at 11:00 AM** at its registered office, Habibabad, Kohat to transact the following business.

1. To confirm minutes of the 58th annual general meeting of the company held on 19th October, 2018.
2. To receive, consider and adopt the annual audited Financial Statements of the Company for the year ended 30th June, 2019 together with Directors' and Auditors' reports thereon.
3. To appoint auditors for the financial year 2019-20 and to fix their remuneration. The retiring auditors M/s Shinewing Hameed Chaudhri and Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board



ABID RAZA
Company Secretary

Kohat

Dated: 30 September, 2019

NOTES:

1. The Share Transfer Books will remain closed from 17th October, 2019 to 23rd October, 2019 (both days inclusive). Transfers received at the office of Share Registrar of the company, M/s. Management & Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi, by the close of business on 16th October 2019 will be treated in time.
2. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed should reach the Registered Office of the Company at least 48 hours before the time of Meeting.
3. Any individual beneficial owner of CDC entitled to attend and vote at this Meeting must bring his/her CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of Corporate Member should bring the usual documents required for such purpose.
4. Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 779(I)/2011 dated August 18, 2011 has directed all listed companies to ensure that Dividend Warrants should bear the Computerized National identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs / NTN (in case of corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.
5. In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated September 8, 2014, those shareholders who desire to receive Notice & Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. **www.jdm.com.pk** and send the said form duly filled in and signed along with copy of his / her

CNIC / Passport to the Company's Share Registrar. Please note that giving email address for receiving of Notice & Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, Notice & Annual Financial Statements will be sent at your registered address, as per normal practice.

- Pursuant to Section 132(2) of the Companies Act, 2017, if company receives consent from shareholders holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 7 days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit it to the registered office of the Company:.

I/We. _____ of _____ being a member of **JANANA DE MALUCHO TEXTILE MILLS LIMITED**, holder of _____ Ordinary Shares as per Register Folio No./CDC A/C No. _____ hereby opt for Video conference Facility at _____.

Signature of members

- Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio numbers.

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی 59 واں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ دفتر، حبیب آباد کواہاٹ میں بروز جمعرات 24 اکتوبر 2019ء کو صبح 11:00AM بجے منعقد ہوگا۔

- 1- 19 اکتوبر 2018ء کو منعقدہ سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ سالانہ آڈیٹڈ مالیاتی تفصیلات 30 جون، 2019ء پر غور کرنا اور اس کا حصول اور منظوری۔
- 3- مالی سال 2019-2020 کے لئے آڈیٹرز کا تقرر اور معاوضہ طے کرنا۔ بطور آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، لاہور نے خود کو دوبارہ تقرری کے لئے پیشکش کی ہے۔
- 4- صاحب صدر کی اجازت سے کسی دیگر امور پر غور و خوض۔

بحکم بورڈ
عابد رضا
کمپنی سیکریٹری

کوہاٹ

مورخہ: 30 اکتوبر، 2019

نوٹس:

- 1- کمپنی کی حصص منتقلی کی کتابیں 17 اکتوبر 2019ء تا 23 اکتوبر 2019ء (بشمول دونوں ایام) بند رہیں گی۔ منتقلیوں کا حصول مینجمنٹ اینڈ رجسٹریشن سروسز پرائیویٹ لمیٹڈ، برنس ایگزیکٹو سنٹر، F-17/3، کلفٹن کراچی سے ہوگا۔ کمپنی کے شیئرز کا کاروبار کا اختتام 16 اکتوبر، 2019ء کے لئے بروقت تصور ہوگا۔
- 2- اجلاس میں شرکت اور ووٹ دینے کا مستحق کوئی رکن اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر رکن کو اپنا اپنی پراکسی مقرر کر سکتا رہتی ہے۔ پراکسی کی تقرری اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کو لازماً وصول ہو جانی چاہئے۔
- 3- بصورت سی ڈی سی اکاؤنٹ ہولڈر اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔ بصورت کارپوریٹ اسٹیٹی، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ مع نامزد کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہونگے۔
- 4- ممبران سے درخواست ہے کہ اپنے پتوں میں تبدیلی اگر کوئی ہو تو کمپنی کو فی الفور مطلع فرمائیں۔
- 5- ممبرز کو ویڈیو کال کانفرنس کی بھی سہولت میسر ہے۔ اگر کمپنی اجلاس کی تاریخ سے 7 دن پہلے ویڈیو کانفرنس کے ذریعے اجلاس میں حصہ لینے کے لئے جغرافیائی مقام پر رہنے والے مجموعی 10% یا اس سے زیادہ حصص رکھنے والے ارکان سے رضامندی حاصل کرتی ہے تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت مہیا کرے گی بشرطیکہ اس مقام / شہر میں متعلقہ سہولت میسر ہو، اس سلسلے میں مندرجہ ذیل فارم کو مکمل کریں اور کمپنی کے رجسٹرڈ پتے پر ارسال کریں۔

میں / ہم، _____ سکندہ _____ بحیثیت رکن جاننا ڈی مالوچو ٹیکسٹائل ملز لمیٹڈ، حامل
عام حصص بمطابق رجسٹرڈ فولیو نمبر اسی ڈی سی اکاؤنٹ نمبر۔ _____ اس طرح ویڈیو کانفرنس کی سہولت بمقام _____

دستخط رکن

- 6- 24 اکتوبر، 2019ء کو منعقد ہونے والی AGM کا جامع نوٹس 30 جون، 2019ء کے اختتامی سال کے آڈٹ کردہ مالی تفصیلات کے ساتھ بھی ارسال کیا جا رہا ہے۔ یہ سہولت کمپنی کی ویب سائٹ www.jdm.com.pk پر بھی موجود ہے۔

CHAIRMAN'S REVIEW

I am pleased to present the review for the year ended June 30, 2019, highlighting the Company's performance and role of the Board of Directors (the Board) of Janana De Malucho Textile Mills Ltd. in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

REVIEW OF BOARD'S PERFORMANCE

The board, being responsible for the management of the company, formulates all significant policies and strategies. The board is governed by relevant laws & regulations and its obligation, rights, responsibilities, and duties, as are specified and prescribed therein.

The Board normally meets once every quarter to consider and approve the financial and operating results of the Company. During the year 2018-19 six board meetings, five audit committee and one HR & Remuneration committee meetings were held.

The Board also monitors the followings: -

- Compliance with best corporate practices and good governance.
- Stable and continual growth in the Company's operations.
- Encouraging diversity and upholding ethical behavior.
- Development of skillful resources to attain advancement and excellence.

During the year, the board recommended and approved among other things:

- Routine BMR;
- Budget;
- Quarterly and annual financial statements;
- Internal audit and audit committee reports and findings;
- Appointment of external auditors;

Accordingly, the Board has completed its annual self-evaluation for the year 2018-19 and I am pleased to report that the overall performance bench marked on the basis of criteria set for the year 2018-19, remained satisfactory.

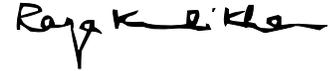
REVIEW OF BUSINESS PERFORMANCE

The year 2018-19 was a profitable year in comparison with the last year when the company incurred loss after tax for Rs.62.254 million. In the current year the Company has earned a profit after tax for Rs.6.296 million. The profit would have been higher but the uncontrollable factors such as the unprecedented devaluation of Pak Rupee and increase in markup rates have resulted in increase in cost of production and cost of financing. These factors have been further elaborated in the Directors' Report to the Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to acknowledge and express my appreciation for our Shareholders and Bankers for their absolute confidence in the Board of Directors and the Company's management. I would also like to put on record my utmost thanks to the Board of Directors for their contribution, the Management and the workforce's for their efforts and hard work.

Dated: September 24, 2019



Raza Kuli Khan Khattak
Chairman

چیرمین کا جائزہ

مجھے 30 جون، 2019 تک ختم ہونے والے سال کے لئے جائزہ لینے کے لئے خوش ہوں کہ کمپنی کی کارکردگی اور کمپنی کے بورڈ آف ڈائریکٹرز کے کردار کو نمایاں کیا جا رہا ہے۔

بورڈ کی کارکردگی کا جائزہ:

سال کے دوران، بورڈ نے اپنی کارکردگی کی تشخیص کے مجموعی عمل کے ساتھ ساتھ بورڈ کے انفرادی ممبر کی کارکردگی کی تشخیص کا آغاز کیا ہے۔ بورڈ کی آڈٹ کمیٹی اور انسانی وسائل اور تجدید کی کمیٹی کے کارکردگی کی تشخیص بھی شروع کی گئی ہے۔ ان طریقوں نے بورڈ اور ذیلی کمیٹیوں کے ارکان کو کمپنی کی مسلسل ترقی کے لئے ہم آہنگی کے ساتھ کام کرنے میں مدد کی ہے۔ بورڈ عام طور پر ہر سہ ماہی میں ملتا ہے تاکہ کمپنی کے مالی اور کام کرنے کے نتائج پر غور کرے اور منظور کرے۔ سال 2018-19 میں چھ بورڈ کے اجلاس، پانچ آڈٹ کمیٹی کی اجلاس اور ایک انسانی وسائل اور معاوضے کی کمیٹی کے اجلاس منعقد ہوئے۔

اس کے علاوہ بورڈ نے مندرجہ ذیل معاملات کا جائزہ لیا:

- ﴿ بہترین سند یافتہ تجارتی ادارے کے طریقوں اور اچھے انتظامی امور کے مطابق چلنا۔
- ﴿ کمپنی کے کام کرنے کے معاملات میں استحکام اور مسلسل ترقی۔
- ﴿ تغیر پذیری کی حوصلہ افزائی اور اخلاقی رویے کو برقرار رکھنے۔
- ﴿ ترقی اور بہتری حاصل کرنے کے لئے مہارت والے وسائل کی ترقی۔
- ﴿ سال کے دوران، بورڈ نے دوسری چیزوں کی سفارش کی اور منظور کئے:
- ﴿ روزانہ کی بنیاد پر مناسب اور جدید پیداواری صلاحیت کی تبدیلی۔
- ﴿ بجٹ
- ﴿ سہ ماہی اور سالانہ مالی حسابات۔
- ﴿ اندونی آڈٹ اور آڈٹ کمیٹی کی دستاویزات اور نتائج۔
- ﴿ بیرونی آڈیٹروں کی تقرری۔

اس کے مطابق، بورڈ نے سال 2018-19 کے لئے اپنی سالانہ خود تشخیص مکمل کر لی ہے اور مجھے یہ خوشی ہوئی ہے کہ سال 2018-19 کے لئے مقرر کردہ معیار کی بنیاد پر مجموعی کارکردگی کا معیار اطمینان بخش رہی ہے۔

کاروباری معاملات کا جائزہ:

کمپنی کے لئے سال 2018-19 گزشتہ سال کے مقابلے پر ایک منافع بخش سال تھا۔ کمپنی نے ٹیکس کے بعد 6.296 ملین روپے کا منافع اور بھی کیا ہے۔ اس سال منافع زیادہ ہوتا اگر چند بے قابو عوامل جیسے پاکستانی روپے کی قدر میں بہت زیادہ کمی اور مارک اپ ریٹ میں اضافے کے نتیجے میں پیداواری لاگت اور فنانسنگ کی لاگت میں اضافہ ہوا ہے۔ ان عوامل کو شینئر ہولڈرز کو ڈائریکٹرز کی رپورٹ میں مزید واضح کیا گیا ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کی طرف سے میں اپنے شینئر ہولڈرز اور کمپنی کے بینکاروں کی قدر کرتا ہوں کہ ان کا بورڈ آف ڈائریکٹرز کا ورک اور کمپنی کی انتظامیہ پر اعتماد ہے۔ اسکے علاوہ میں بورڈ آف ڈائریکٹرز کی شرکت، انتظامیہ اور کارکنوں کی کوششوں اور محنت کا شکر یہ ادا کرتا ہوں۔

Raza Khan
رضاقی خان خٹک
چیرمین

ستمبر 24، 2019

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your Company have pleasure in presenting their report, together with the 59th annual report, containing the audit report and the audited Financial Statements of the Company for the year ended 30th June, 2019.

PERFORMANCE REVIEW

The principal activity of the Company is the manufacturing & sale of yarn. The highlights of the Company's financial results as compared to the preceding year are as follows:

| Particulars | 2019 | (Restated) 2018 |
|---------------------------------|---------------------------|--------------------|
| | Rupees in million | |
| Sales -net | 3,379 .664 | 2,782.025 |
| Cost of sales | (3,114 .893) | (2,655.003) |
| Gross profit | 264.771 | 127 .022 |
| Profit from operations | 138.124 | 19.608 |
| Profit / (loss)before taxation | 41.272 | (72.151) |
| Profit / (loss) after taxation | 6.296 | (62.524) |
| | ----- Rupees ----- | |
| Earnings / (loss) per share | 1.32 | (13.07) |

Net sales of the Company have increased by Rs.597.639 million. The Company has earned a profit of Rs.138.124 million from operations as compared to a profit of Rs.19.608 million in the previous year. Further, the Company, in the year under report, has earned a profit before tax of Rs.41.272 million and a profit after tax of Rs.6.296 million respectively, in comparison with loss before tax of Rs.72.151 million and loss after tax of Rs.62.524 million respectively, in the previous year. The Company has achieved this feat despite the rampant import of yarn and grey cloth from India affecting the sales rates of yarn in the market unprecedented devaluation of Pak Rupee against US dollar. Due to the devaluation of Pak Rupees, the cost of imported raw materials has increased manifold and has resulted in decrease in the profits, which the Company would have been reporting otherwise. Finance cost of the Company has also increased due to very high increase in the policy rate announced by the State Bank of Pakistan. Policy rate at the beginning of the year i.e. 1st July 2018 was 7.50% which has now increased to 13.25%, and this increase is almost 77% as compared to the rate at the beginning of the year.

The Securities and Exchange Commission of Pakistan has directed the Company's Board of Directors (the Board) vide its order dated August 30, 2019, to rectify the defaults and also to undo the irregularities leading to modified opinion of the external Auditors on the financial statements of the Company for the year ended June 30, 2018. In order to resolve the said irregularities in the financial statements for the year ended 30th June, 2019, the Board has decided to engage independent valuation Consultants (M/s Aamir Salman Rizwan, Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore) to ascertain valuation of the Company's investments in its associated companies. The Valuers have ascertained share valuations based on discounted free cash flows. The effects of these valuations have been accounted for retrospectively in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors) and comparative figures have been restated in compliance with the aforementioned directions of the regulator.

GENERAL ECONOMIC REVIEW

The Govt. has withdrawn the zero-rated regime in the cases of five export oriented sectors including textile industry w.e.f. 01st July, 2019. It means that a 17% sales tax is applicable on sales to registered persons and 3% further tax on sales to unregistered persons. The gas and electricity supply has also become taxable. Gas prices have been increased by 31% and quarterly tariff adjustments are being charged in the electricity bills. Sales tax has also been imposed @10% on local cotton, 5% on imported cotton and 17% on manmade fibers, respectively. These measures have obviously created a huge liquidity problem for the textile industry and have also resulted in an increase in the cost of production. We do not hold any opinion against the levy of Sales Tax; our concern is with respect to such a high rate of sales tax i.e. 17% plus 3%, as mentioned above. If the Govt. do not agree to restore the zero-rated tax regime, than at least the ginning and spinning sectors should be taxed at the lower rates and import duty on raw materials should also be withdrawn, because production of Pakistani cotton, quality / quantity wise is not sufficient to meet the requirements of spinning industry.

FUTURE PROSPECTS

The economy has initiated its way towards stability. During the year, the country witnessed an insignificant decline of 1.00% in exports mainly due to higher cost of raw materials. However, reduction of 9.86% on import bill in USD term has supported the economy in reducing the current account deficit by 15.33%. Further, inflows from remittance have also increased by 9.68% in USD term, which, we believe will bring economic stability in the country. There have been uncertainties during the year, mainly due to abrupt devaluation. The discount rates were also increased during the year which resulted in an increase in inflation. We urge the Govt. to take further remedial measures to ensure that economy stays on the right path and continues to grow positively.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. The Company has maintained proper books of account.
4. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as on-going process with objective to strengthen the controls and bring improvements in the system.
6. There are no doubts about the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the CCG Regulations).
8. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2019, except for those disclosed in the financial statements.
9. No trades in the shares of the Company were carried-out by the Directors, CEO, and CFO, Company Secretary and their spouses and minor children during the year ended 30 June, 2019.

However the Statutory Auditors of the Company have pointed out a non-compliance with the CCG Regulations in their Review Report on the Statement of Compliance. The point placed by the auditor's and managements comments on the point are given below:

| SR. # | AUDITOR'S OBSERVATION | MANAGEMENT'S REPLY |
|-------|---|--|
| 1. | The Chief Financial Officer of the Company also held the office of the Company Secretary up to June 09,2019 | The Company started the search for a suitable person for the position of the Company Secretary. However, it could not find any qualified candidate willing to come and join our team at Kohat mainly because of mills location in remote area and the security threats being faced by the innocent public. The BOD then decided to promote Manager Accounts of the Company Mr. Abid Raza, to the position of Company Secretary, who possessed the specified qualifications for the position and was willing to accept the responsibilities of managing the corporate department of the Company. The BOD, through its resolution dated 10th June, 2019, approved the appointment of Mr. Abid Raza, who has been performing the duties of Company Secretary since that date. As at the date of report i.e. 30-06-2019, the company is fully compliant with the requirements of the Code. |

COMPOSITION OF THE BOARD

The Composition of the Board is in line with the requirements of the CCG Regulations. The Company encourages representation of independent and non-executive directors, as well as gender diversity on its Board.

The current composition of the Board is as follows:

| | |
|----------------------------------|----------|
| Total number of directors | 9 |
| Male | 8 |
| Female | 1 |
| Independent Directors | 2 |
| Executive Directors | 2 |
| Non-executive Directors | 5 |

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated annually along the following parameters, both at individual and collective level.

- i. Effectiveness in bringing in a mix of gender, talents, skills and diversified perspectives.
- ii. Integrity, credibility, trustworthiness and active participation of members.
- iii. Follow-up and review of annual targets set by the management.
- iv. Ability to provide guidance and direction to the Company.
- v. Ability to identify aspects of the organization's performance requiring action.

- vi. Review of succession planning of management.
- vii. Ability to assess and understand the risk exposures of the Company.
- viii. Contribution and interest in regard to improving health safety and environment, employment and other policies and practices in the Company.
- ix. Safeguarding the Company against unnecessary litigation and reputational risk.

Majority of the Board members have completed the Directors' Training Program, while other directors possess the specified qualifications and the requisite experience for seeking exemption from the training programs of directors pursuant to the clause 20(2) of the CCG Regulations. All the Directors are fully conversant with their duties and responsibilities as directors of the corporate bodies. The company had also arranged orientation courses for its Directors in the previous years to apprise them of their roles and responsibilities.

The overall performance of the Board measured on the basis of the above mentioned parameters for the year was found satisfactory. The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The Board is also effective in formulating the corporate goals for the company.

BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and the audit process. It enjoys the autonomy to call for any information from the management and to discuss directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met 5 times during 2018-19.

The names of committee members are as follows:

- | | | |
|-------------------------------------|----------|------------------------|
| 1. Brig. (Retd.) Abdul Samad Khan | Chairman | Independent Director |
| 2. Mr. Raza Kuli Khan Khattak | Member | Non-Executive Director |
| 3. Mr. Saad Waheed | Member | Non-Executive Director |
| 4. Col. (Retd.) Syed Yunus Ali Raza | Member | Independent Director |

The Audit committee has reviewed the quarterly, half-yearly and annual financial statements, including the internal audit plan, material audit findings and recommendations of the internal audit department.

In addition to above meetings, Audit Committee met with external auditors without Chief Financial Officer (CFO) and Head of Internal Audit (HIA). Audit Committee also met the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present.

HR AND REMUNERATION COMMITTEE

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive and directors. The CEO of the Company attended the Human Resource and Remuneration Committee meeting held during the year as member of the committee. The Committee met once during 2018-19.

The names of committee members are as follows:

- | | | |
|---|----------|------------------------|
| 1. Brig. (Retd.) Abdul Samad Khan | Chairman | Independent Director |
| 2. Lt. Gen. (Retd.) Ali Kuli Khan Khattak | Member | Chief Executive |
| 3. Mr. Saad Waheed | Member | Non-Executive Director |
| 4. Col. (Retd.) Syed Yunus Ali Raza | Member | Independent Director |

MEETINGS OF BOARD AND ITS COMMITTEES IN 2018-19

During the year 2018-19, six board meetings, five audit committee and one HR & Remuneration committee meetings were held. The number of meetings attended by each director during the year is given here under:

| Sr. No. | Director | Committee Members | | Attendance | | |
|---------|---------------------------------------|-----------------------|-----------------------------|--------------------|-----------------------|-----------------------------|
| | | Board Audit Committee | HR & Remuneration Committee | Board of Directors | Board Audit Committee | HR & Remuneration Committee |
| 1. | Mr. Raza Kuli Khan Khattak | ✓ | - | 6/6 | 5/5 | - |
| 2. | Lt. Gen (Retd.) Ali Kuli Khan Khattak | - | ✓ | 6/6 | - | 1/1 |
| 3. | Mr. Mushtaq Ahmed Khan, FCA | - | - | 0/6 | - | - |
| 4. | Mr. Gohar Ayub Khan | - | - | 5/6 | - | - |
| 5. | Mrs. Shahnaz Sajjad Ahmad | - | - | 5/6 | - | - |
| 6. | Brig. (Retd.) Abdul Samad Khan | ✓ | ✓ | 6/6 | 5/5 | 1/1 |
| 7. | Mr. Saad Waheed | ✓ | ✓ | 4/6 | 3/5 | 1/1 |
| 8. | Mr. Khalid Kuli Khan Khattak | - | - | 6/6 | - | - |
| 9. | Col. (Retd.) Syed Yunus Ali Raza. | ✓ | ✓ | 5/6 | 5/5 | 1/1 |

Leave of absence was granted to directors who could not attend the board meetings due to their busy schedule and other appointments.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

During the year, the Board has undertaken a formal process of evaluation of its performance as a whole as well as individual director. The performance evaluations of the Board Audit Committee and HR & Remuneration Committee have been initiated. The overall performance of the Board measured on the defined parameters for the year was satisfactory.

DIRECTORS' REMUNERATION

Directors Fee is paid in line with Board approval and the Company has a formal policy in this regard in accordance with the Companies Act, 2017 and the CCG Regulations. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in the year 2018-19, please refer note 39 to the Financial Statements.

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY):

Key operating and financial data of six years is annexed to the report.

PATTERN OF SHAREHOLDING:

The statement of the pattern of shareholding as at June 30, 2019 and additional information thereabout is annexed to the report.

CONTRIBUTION OF OUR COMPANY TOWARDS GOVERNMENT AND SOCIAL SECTOR:

We wish to give hereunder our Company's revenue contribution towards the Government, Semi Government sectors, banks and Social sector during the year ended 30 June, 2019.

| | |
|---|-------------------|
| I. GOVERNMENT SECTOR | (Rs. in Millions) |
| Income Tax paid | 29.182 |
| Power & Fuel | 404.165 |
| Financial Institution/ Banks | 97.061 |
| II. SOCIAL SECTOR | |
| Employees/Workers' salaries, Wages and other benefits | 468.210 |

We are also providing employment to 1,114 workers (1,114 families with an average of 8 family members in KPK province) the employment cost of which shall now be about Rs. 468.210 million per annum.

CORPORATE SOCIAL RESPONSIBILITY:

The Company considers social, environmental and ethical matters in the context of the overall business environment. The Company is committed to make conscious effort to consider and balance the interest of all stakeholders, in particular the

community in which we live and workers who are the core of our business. We believe that education plays a vital role for economic development and poverty alleviation. Pakistan has an urgent need for excellent academic facilities, to develop and prepare young people to acquire skills and help them to utilize their highest potential. For this purpose we donate significant amounts to Waqf-e-Kuli Khan Trust every year for educational scholarships.

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

MATERIAL CHANGES

There have been no material changes since June 30, 2019 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

DIVIDEND:

The Company has done a BMR worth Rs.94.521 million during the year under report and funds are needed for the BMR planned in the next year, therefore the Board has not recommended for payment of dividend.

REVENUE & RESERVE

The Statement of Changes in Equity is showing that the Company has transferred an amount of Rs. 500 million from General Reserve to Accumulated Loss. The amount has been transferred in order to absorb the impact of impairment loss on investments in Associated Companies.

COMMENTS ON “EMPHASIS OF MATTER” PARAGRAPH IN THE AUDITOR’S REPORT:

The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as the Supreme Court of Pakistan (SCP). The PHC has granted a stay order against recovery of GIDC which is in force. The case was fixed for hearing on 19-09-2019 in the SCP, but there were no proceedings and the case has been adjourned. The lawyer hired by APTMA has said that our case is very strong and valid, so we are hoping that the decision of the Courts will be in the favour of the industry. The High Court and the SCP in our earlier appeals have already declared GIDC Act, 2011 and GIDC Ordinance, 2014 as un-constitutional and we are of the considered opinion that GIDC Act, 2015, will also be struck down by the Hon'ble courts.

APPOINTMENT OF AUDITORS:

The Company's auditors M/s ShineWing Hameed Chaudhri & Co., Chartered Accountants, H. M. House, 7 – Bank Square, Lahore retired and offered themselves for reappointment. The Board of Directors of the Company, as recommended by the Board Audit Committee, hereby recommends that the retiring auditors be re-appointed.

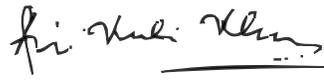
ACKNOWLEDGEMENT:

Your Directors wish to record their appreciations for the efforts made by the workers, staff and senior executives for achieving these results in the unprecedented difficult circumstances. We are grateful for the continued support of the financial institutions specially the National Bank of Pakistan since 1962 to sustain the production activities of the company.

On behalf of the Board of Directors



**Brig. (Retd.) Abdul Samad Khan
Director**



**Lt. Gen. (Retd.) Ali Kuli Khan Khattak
Chief Executive Officer**

Dated: September 24, 2019

ڈائریکٹرز رپورٹ برائے حصص یافتگان

بورڈ آف ڈائریکٹرز کی جانب سے، 59 ویں سال 30 جون 2019 کو ختم ہونے پر کمپنی کے آڈیٹرز کی جاری کردہ مالیاتی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

کارکردگی کا جائزہ۔

کمپنی کی بنیادی سرگرمی سوتز بنانا اور بیچنا ہے۔ پچھلے سال کے مقابلے میں کمپنی کی مالیاتی نتائج کے اہم جھلکیاں مندرجہ ذیل ہیں۔

| 2018 | 2019 | |
|-------------|-------------|----------------------------|
| | | روپے لاکھوں میں |
| 2,782.025 | 3,379.664 | فروخت |
| (2,655.003) | (3,114.893) | فروخت کی لاگت |
| 127.022 | 264.771 | عبوری منافع |
| 19.608 | 138.124 | آپریشن سے منافع |
| (72.151) | 41.272 | ٹیکس سے پہلے منافع (نقصان) |
| (62.524) | 6.296 | ٹیکس سے بعد منافع (نقصان) |
| | | --- روپے --- |
| (13.07) | 1.32 | آمدنی (نقصان) فی شیئر |

کمپنی کی خالص فروخت میں 59.76 کروڑ روپے سے اضافہ ہوا ہے۔ تاہم کمپنی نے 13.81 کروڑ روپے آپریشن کے بعد منافع حاصل کیا ہے جبکہ گزشتہ سال کمپنی نے 1.96 کروڑ روپے آپریشن کے بعد منافع حاصل کیا تھا۔ مزید یہ کہ کمپنی نے اس سال 4.13 کروڑ روپے ٹیکس سے پہلے اور 0.63 کروڑ روپے ٹیکس کے بعد منافع حاصل کیا ہے جبکہ گزشتہ سال کمپنی نے 7.22 کروڑ روپے ٹیکس سے پہلے نقصان کیا تھا جبکہ ٹیکس کے بعد یہ نقصان 6.25 کروڑ روپے ہو گیا تھا۔ کمپنی کو یہ کارکردگی ہندوستان سے سوتز اور خام کپڑے کی بے دریغ درآمد کے باوجود مارکیٹ میں سوتز کی فروخت کی شرح، امریکی ڈالر کے مقابلے میں پاکستانی روپیہ کی قدر میں زبردستی کے باوجود حاصل کیا ہے۔ پاک روپیہ کی قدر میں کمی کی وجہ سے، درآمد شدہ خام مال کی قیمت میں کمی گنا اضافہ ہوا ہے اور اس کے نتیجے میں منافع میں کمی واقع ہوئی ہے، جس کی تفصیل کمپنی اگلے چل کر دے رہی ہے۔ اسٹیٹ بینک آف پاکستان کے اعلان کردہ پالیسی کی شرح سود میں بہت زیادہ اضافے کی وجہ سے کمپنی کی فنانس لاگت میں بھی اضافہ ہوا ہے۔ سال کے آغاز میں پالیسی کی شرح سود یعنی یکم جولائی 2018 %7.50 تھی جو اب بڑھ کر %13.25 ہو گئی ہے، اور یہ اضافہ سال کے آغاز میں اس شرح کے مقابلے میں تقریباً %77 رہا ہے۔

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کمپنی کے بورڈ آف ڈائریکٹرز (بورڈ) کو 30 اگست 2019 کے اپنے حکم کے تحت جانان ملز سے منسلک کمپنیوں میں سرمایہ کاری کے فرق کو بھی ختم کرنے کی ہدایت کی ہے جو کہ مالیاتی حسابات پر بیرونی آڈیٹرز نے کمپنی کے 30 جون، 2018 ختم ہونے والے سال کے حسابات کی نشان دہی پر کی ہے۔ جس پر کمپنی نے 30 جون، 2019 کو ختم ہونے والے سال کے مالی حسابات میں مذکورہ جانان ملز سے منسلک کمپنیوں میں سرمایہ کے فرق کو دور کرنے کے لئے، بورڈ نے ایک آزاد قیوتوں کا تعین کرنے والے مشیروں (میسرز عامر سلمان رضوان، چارٹرڈ اکاؤنٹنٹس) کو کوشاں کرنے کا فیصلہ کیا ہے۔ یہ اکاؤنٹنٹس، ایک کیو سی آر کی منظور شدہ ادارہ ہے۔ جس کا آفس 414-ایف، ایم اے جوہر ٹاؤن، لاہور ہے۔ جانان ملز سے منسلک کمپنیوں میں کمپنی کی سرمایہ کاری کی قیمتوں کا تعین کروایا گیا ہے۔ ان کی تشخیص کی گئی رپورٹ کو استعمال کرتے ہوئے اس سال کے مالی حسابات IAS-8 (اکاؤنٹنگ پالیسیاں، اکاؤنٹنگ تخمینے اور فرق میں تبدیلی) کے تقاضوں کے مطابق مرتب کیے گئے ہیں اور تقابلی اعداد و شمار کو ریگولیٹری کی مذکورہ بالا ہدایات کے مطابق دکھایا گیا ہے۔

عمومی مارکیٹ کی حالت

حکومت نے یکم جولائی 2019 سے پانچ بڑی برآمدی شعبوں جن میں ٹیکسٹائل بھی شامل ہے پر صفر فیصد سلو ٹیکس کو ختم کر دیا ہے۔ جس کا مطلب ہے کہ رجسٹرڈ شدہ سیل پر %17 سلو ٹیکس اور غیر رجسٹرڈ شدہ سیل پر %3 اضافی سلو ٹیکس لگے گا۔ نیز اس کے ساتھ بجلی اور گیس کے بلوں پر بھی اہم اور سلو ٹیکس ادا کرنا پڑے گا۔ حکومت نے گیس کی قیمتیں بھی %31 تک بڑھادی ہیں اور بجلی کے بلوں

پرسہ ماہی ٹریف ایڈجسٹمنٹ کے نام پر اضافی چارج لگا دیے ہیں۔ کمپنی کو ملکی کا ٹیکس پر 10%، کاشن درآمد کرنے پر 5% اور مصنوعی فائبر پر 17% کے حساب سے سیلز ٹیکس ادا کرنا ہوگا۔ ان اقدامات نے واضح طور پر ٹیکسٹائل کی صنعت کے لئے ایک بہت بڑی لیکویڈیٹی کا مسئلہ پیدا کیا ہے اور اس کے نتیجے میں پیداواری لاگت میں بھی اضافہ ہوا ہے۔ ہم سیلز ٹیکس کے عائد کے خلاف کیے جانے کے کوئی رائے نہیں رکھتے۔ ہماری تشویش سیلز ٹیکس کی اتنی زیادہ شرح یعنی 17% کے علاوہ 3% کے حوالے سے ہے، جیسا کہ اوپر ذکر کیا گیا ہے۔ اگر حکومت صفر درجہ سیلز ٹیکس نظام کی بحالی پر اتفاق نہیں کرتی تو کم از کم جنگل اور اسپننگ سیکٹر پر کم شرح پر سیلز ٹیکس عائد کیا جانا چاہئے اور خام مال پر درآمدی ڈیوٹی بھی واپس لینی چاہئے تھی کیونکہ پاکستانی کاشن معیار اور مقدار کے حساب سے دھاگے کی ملکی پیداوار لے لئے کافی نہیں ہے۔

مستقبل کا نقطہ نظر

معیشت نے استحکام کی طرف اپنا راستہ شروع کیا ہے۔ ایک سال کے دوران، برآمدات میں 1% کی معمولی کمی دیکھی گئی، اس کی بنیادی وجہ خام مال کی زیادہ قیمتیں ہیں۔ تاہم، امریکی ڈالر کے مد میں درآمدی بل پر 9.86 فیصد کمی کی وجہ سے موجودہ معیشت لیکھاتوں کے خسارے میں 15.33 فیصد کمی آئی ہے۔ مزید، امریکی ڈالر کی مدت میں بھی غیر ملکی زرمبادلہ کی آمد میں 9.68 فیصد اضافہ ہوا ہے، جس وجہ سے ہمیں یقین ہے کہ ملک میں معاشی استحکام آئے گا۔ سال کے دوران غیر یقینی صورتحال کا سامنا کرنا پڑا ہے، جس کی بنیادی وجہ ملکی کرنسی کی ڈالر کے مقابلے میں بے بہا کمی ہے۔ سال کے دوران سودی شرحوں میں بھی اضافہ کیا گیا جس کے نتیجے میں مہنگائی میں اضافہ ہوا۔ ہم حکومت سے درخواست کرتے ہیں مزید احتیاطی تدابیر لے تاکہ معاشی ترقی صحیح راہ پر گامزن رہے اور اس میں مثبت طور پر اضافہ ہو سکتا ہے۔

کارپوریٹ گورننس کے ضابطے کی تعمیل

بورڈ یہ بتاتا ہے کہ کمپنی کا انتظام کارپوریٹ گورننس کی بہترین طرز عمل کے مطابق ہے۔ بورڈ نے کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے حوالے سے اپنی ذمہ داری قبول کی ہے اور بیان دیا ہے کہ:

- ۱۔ کمپنی کے حسابات جس میں اکاؤنٹ کی کتابیں، نفع اور نقصان کا اکاؤنٹ، بیلنس شیٹ اور دیگر حسابات مردہ جو انہیں کے تحت تیار کیے گئے ہیں۔
- ۲۔ کمپنی کے حسابات تیار کرنے کے لیے مناسب مالیاتی پالیسیوں کا استعمال کیا ہے۔
- ۳۔ کمپنی نے حسابات کی کتابیں موثر طریقے سے رکھی ہیں۔
- ۴۔ بین الاقوامی اکاؤنٹنگ معیار جو کہ پاکستان میں لاگو ہوتے ہیں، ان کو مالیاتی حسابات کی تیاری میں اور اداروں میں اپنایا گیا ہے۔
- ۵۔ اندرونی کنٹرول کا نظام ڈیزائن درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا اور نگرانی کی گئی ہے۔ اندرونی کنٹرول کی نگرانی کے عمل کو کنٹرول کو مضبوط بنانے اور نظام میں بہتری لانے کے مقصد کے ساتھ آگے بڑھتے ہوئے عمل کے طور پر جاری رہے گا۔
- ۶۔ کمپنی کے حسابات کمپنی کے موجودہ کارکردگی کا عکاس ہیں اور۔
- ۷۔ لسٹڈ کمپنیوں (کارپوریٹ گورننس) کے ضابطوں، 2017 (سی سی جی ریگولیشنز) کے بہترین طریقوں مطابق ہیں۔
- ۸۔ 30/06/2019 پر کمپنی کے ذمہ کسی بھی قسم کا قانونی ٹیکس، لیویز یا چارجز نہیں ہیں ماسوائے ان ادا کی گئیوں کے جو ان حسابات میں بتائی گئی ہیں۔
- ۹۔ اس ملز کے ڈائریکٹر، چیف ایگزیکٹو، سی ایف او، کمپنی سیکرٹری، ان کے اہل خانہ اور ان کے چھوٹے بچوں نے کمپنی کے شیئرز میں خرید و فروخت نہیں کی ہے۔

تاہم، کمپنی کے مجاز ڈائریکٹر نے اپنی جائزہ رپورٹ میں پرسی سی جی ریگولیشنز کے حوالے سے عدم تعمیل کی بنیاد پر اعتراض کیا ہے۔ آڈیٹر کا اعتراض اور مینجمنٹ کا جواب مندرجہ ذیل دیئے گئے ہیں۔

| میٹجمنٹ کا جواب | آڈیٹر کا اعتراض |
|---|---|
| <p>کمپنی نے سکرٹری کے عہدے کے لئے موزوں شخص کی تلاش شروع کر دی تھی۔ تاہم کوہاٹ میں ہماری ٹیم میں شامل ہونے کے لئے کوئی اہل امیدوار نہیں مل سکا جس کی بنیادی وجہ دور دراز کے علاقے میں طوں کا وجود اور سیکورٹی کے خطرات ہیں۔ اس کے بعد بورڈ نے کمپنی کے منیجر کاؤنٹس جناب عابد رضا کو کمپنی سکرٹری کے عہدے پر ترقی دینے کا فیصلہ کیا، جو اس عہدے کے لئے مخصوص قابلیت رکھتے ہیں اور وہ کمپنی کے کارپوریٹ ڈیپارٹمنٹ کے انتظام کی ذمہ داریوں کو قبول کرنے کے لئے راضی ہیں۔ بورڈ نے 10 جون، 2019 کی اپنی قرارداد کے ذریعے جناب عابد رضا کی تقرری کی منظوری دی، جو اس تاریخ سے کمپنی سکرٹری کے فرائض سرانجام دے رہے ہیں۔ جیسا کہ رپورٹ کی تاریخ یعنی 30 جون، 2019 تک، کمپنی کے ضابطہ اخلاق کی ضروریات کے ساتھ پوری طرح مطابقت رکھتی ہے۔</p> | <p>۱۔ کمپنی کے چیف فنانشل آفیسر 9 جون 2019 تک کمپنی سکرٹری کے عہدے پر فائز رہے۔</p> |

بورڈ کی ساخت:

بورڈ کی تشکیل سی سی جی قوانین کے مطابق ہے۔ بورڈ کی حالیہ تشکیل کچھ اس طرح ہے۔

| | |
|---|------------------------------|
| 9 | ڈائریکٹرز کی کل تعداد |
| 8 | مرد |
| 1 | خاتون |
| 2 | آزاد ڈائریکٹرز |
| 2 | ایگزیکٹو ڈائریکٹرز |
| 5 | دوسرے غیر ایگزیکٹو ڈائریکٹرز |

ان کی لازمی ملازمت کی ضروریات کے علاوہ، ہماری کمپنی کے بورڈ کی کارکردگی کا ہر سال انفرادی اور اجتماعی سطح پر مندرجہ ذیل عوامل کے ساتھ جائزہ لیا جاتا ہے۔

- 1- قابلیت، مہارت اور متنوع نقطہ نظر کے تحت مختلف افراد کا ملنا۔
- 2- سالمیت، ساکھ، اعتماد اور ممبروں کی فعال شرکت۔
- 3- انتظامیہ کے ذریعہ طے شدہ سالانہ اہداف کی پیروی اور جائزہ۔
- 3- کمپنی کو رہنمائی اور ہدایت فراہم کرنے کی اہلیت۔
- 5- کمپنی کی کارکردگی کے ایسے پہلوؤں کی نشاندہی کرنے کی اہلیت جس میں کارروائی کی ضرورت ہوتی ہے۔
- 6- انتظامیہ کی جانیشی کی منصوبہ بندی کا جائزہ۔
- 6- کمپنی کو درپیش خطرناکی نشاندہی کرنا اور سمجھنے کی قابلیت۔
- 8- کمپنی کے ملازمین کی صحت، کام کرنے کے ماحول اور دیگر پالیسیوں اور طریقوں کو بہتر بنانے کے سلسلے میں شرکت اور دلچسپی۔
- 9- غیر ضروری قانونی چارہ جوئی وغیرہ سے کمپنی کی حفاظت کرنا۔

کمپنی میں لازمی کردار کے ساتھ ساتھ ہماری کمپنی کے بورڈ کے ارکان کی کارکردگی انفرادی طور پر یا مشترکہ طور پر دیکھی جاتی ہے۔ بورڈ کے اراکین کی اکثریت سی سی جی قوانین کے شق (2)20 کے مطابق تمام ضروری اہلیت اور تجربہ رکھتی ہے لہذا ان کو ترقیاتی پروگراموں سے چھوٹی دی گئی ہے۔ تمام ڈائریکٹرز کا رپورٹ اداواروں کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے بخوبی واقف ہیں۔ بورڈ نے اپنے ڈائریکٹروں کے لئے گزشتہ برسوں میں ان کے کردار اور ذمہ داریوں کے بارے میں بتانے کے لیے تعارف کو سرزکا اہتمام کیا تھا۔ اس سال کے لئے بورڈ کی مجموعی کارکردگی تسلی بخش تھی۔ بورڈ کے ارکان نے مؤثر طریقے کے ساتھ مل کر جن میں آزاد اور غیر ایگزیکٹو ڈائریکٹرز شامل ہیں کام کیا۔ اور بورڈ نے کمپنی کے کارپوریٹ اہداف کو تشکیل دینے میں مؤثر کردار بھی ادا کیا ہے۔

بورڈ آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی نے نگرانی کی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کی ہے، بنیادی طور پر مالی اور غیر مالیاتی معلومات کا مشترکہ حصول، داخلی کنٹرول کے نظام اور خطرے کے انتظام کے نظام اور آڈٹ کے عمل کے لئے انتظامیہ سے معلومات حاصل کرنے اور بیرونی آڈیٹرز یا مشیروں کے ساتھ براہ راست مشورہ کرنے کے لیے خود مختار ہے جو مناسب سمجھا جاتا ہے۔ چیف فنانس آفیسر یا قاعدگی سے اکاؤنٹس پیش کرنے کے لئے دعوت کے ذریعے بورڈ آڈٹ کمیٹی کے اجلاسوں میں شرکت کرتے ہیں۔ ہر مہنگے کے بعد کمیٹی کے چیئر مین بورڈ کو رپورٹ کرتے ہیں۔ کمیٹی نے 2018-19 کے دوران 5 ملاقات کی ہے۔ کمیٹی کے ارکان کے نام مندرجہ ذیل ہیں۔

| | | |
|-----------------------------------|----------|-----------------------|
| 1- بریگیڈیر (ریٹائر) عبدالصمد خان | چیئر مین | آزاد ڈائریکٹر |
| 2- جناب رضا قلی خان خٹک | رکن | غیر ایگزیکٹو ڈائریکٹر |
| 3- جناب سعد وحید | رکن | غیر ایگزیکٹو ڈائریکٹر |
| 4- کرنل (ریٹائر) سید یونس علی رضا | رکن | آزاد ڈائریکٹر |

آڈٹ کمیٹی نے اندرونی آڈٹ منصوبہ کے علاوہ آڈٹ کے نتائج اور اندرونی آڈٹ ڈیپارٹمنٹ کی سفارشات پر، سماجی، نصف اور سالانہ مالی معاملات کا جائزہ لیا ہے۔ مندرجہ بالا اجلاسوں کے علاوہ، آڈٹ کمیٹی نے بیرونی آڈیٹرز کے ساتھ الگ اور بعد میں چیف فنانس آفیسر (سی ایف او) اور اندرونی آڈیٹ کے سربراہ (ایچ آئی اے) کے ساتھ بھی ملاقات کی ہے۔

انسانی وسائل اور معاوضے کی کمیٹی

کمیٹی نے سینئر ایگزیکٹوز کے معاوضہ سے متعلق معاوضہ تنظیم اور ملازم کی ترقی کی پالیسیوں کے تمام عناصر کا جائزہ لینے اور سفارش کرنے اور انتظامی کمیٹی کے ممبران اور مینجمنٹ کمیٹی کے ممبروں کے متعلق تمام معاملات کو منظور کرنے کے لئے ملاقات کی۔ کمیٹی کے سی ای او نے کمیٹی کے رکن کے طور پر منعقد ہونے والے انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کی۔ کمیٹی نے 19-2018 کے دوران ایک بار ملاقات کی۔ کمیٹی کے ارکان کے نام مندرجہ ذیل ہیں۔

| | | | |
|----|--|----------|-----------------------|
| ۱۔ | بریگیڈیئر (ریٹائر) عبدل صدخان | چیئر مین | آزاد ڈائریکٹر |
| ۲۔ | لیفٹیننٹ جنرل (ریٹائر) علی قلی خان خٹک | رکن | چیف ایگزیکٹو آفیسر |
| ۳۔ | جناب سعد وحید | رکن | غیر ایگزیکٹو ڈائریکٹر |
| ۴۔ | کرنل (ریٹائر) سید پولس علی رضا | رکن | غیر ایگزیکٹو ڈائریکٹر |

بورڈ اور اسکی کمیٹیوں کے اجلاس:

سال 2018-19 کے دوران، 6 بورڈ کی میٹنگ، 4 آڈٹ کمیٹی اور ایک انسانی وسائل اور معاوضے کی کمیٹی کی میٹنگ منعقد ہوئیں۔ سال کے دوران ہر ڈائریکٹر کی طرف سے شرکت کی میٹنگ کی تعداد یہاں درج کی گئی ہے۔

| حاضری | | کمیٹی کے ممبران | | | |
|----------------------------------|-----------|-----------------|----------------------------------|-----------|---|
| انسانی وسائل اور معاوضے کی کمیٹی | آڈٹ کمیٹی | بورڈ | انسانی وسائل اور معاوضے کی کمیٹی | آڈٹ کمیٹی | ڈائریکٹر کے نام |
| ۰ | ۵ | ۶ | × | ✓ | ۱۔ جناب رضا قلی خان خٹک |
| ۱ | ۰ | ۶ | ✓ | × | ۲۔ لیفٹیننٹ جنرل (ریٹائر) علی قلی خان خٹک |
| ۰ | ۰ | ۰ | × | × | ۳۔ جناب مشتاق احمد خان (ایف سی اے) |
| ۰ | ۰ | ۵ | × | × | ۴۔ جناب گوہر ایوب خان |
| ۰ | ۰ | ۵ | × | × | ۵۔ مسز شہناز سجاد احمد |
| ۱ | ۵ | ۶ | ✓ | ✓ | ۶۔ بریگیڈیئر (ریٹائر) عبدل صدخان |
| ۱ | ۳ | ۴ | ✓ | ✓ | ۷۔ جناب سعد وحید |
| ۰ | ۰ | ۶ | × | × | ۸۔ جناب خالد قلی خان خٹک |
| ۱ | ۵ | ۵ | ✓ | ✓ | ۹۔ کرنل (ریٹائر) سید پولس علی رضا |

ڈائریکٹرز کی درخواست جس میں انہوں نے ذاتی مصروفیات کی بنا پر اجلاس میں حاضر ہونے سے معذرت کی جس کو قبول کیا گیا۔

بورڈ کے ڈائریکٹرز اور کمیٹیوں کے بورڈ کی کارکردگی کا جائزہ:

ایک سال کے دوران، بورڈ نے مجموعی طور پر افرادی ڈائریکٹر کے ساتھ ساتھ اپنی کارکردگی کی تشخیص کا باضابطہ عمل شروع کیا ہے۔ بورڈ آڈٹ کمیٹی اور انسانی وسائل اور معاوضے کی کمیٹی کی کارکردگی کی جانچ پڑتال شروع کر دی گئی ہے۔ سال کے لئے مقرر کردہ عوامل کے تحت بورڈ کی مجموعی کارکردگی تسلی بخش رہی ہے۔

ڈائریکٹرز کا معاوضہ:

بورڈ کی اجازت سے آزاد اور غیر ایگزیکٹو ڈائریکٹر اجلاس میں حاضر ہونے پر بورڈ کی مقرر کردہ میٹنگ فیس لے سکتے ہیں۔

ٹینر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار (گزشتہ چھ سال کے)

ٹینر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار اس کتاب میں موجود ہیں۔

ٹینر ہولڈرز کا پیٹرن

30 جون، 2019 پر ٹینر ہولڈنگ کے پیٹرن اور اس سے متعلق اضافی معلومات اس رپورٹ میں شامل کی گئی ہیں۔

حکومت اور سماجی شعبہ کی طرف سے ہماری کمیٹی کی شرکت

اس سال آپ کی کمیٹی نے حکومت اور سماجی شعبہ کو مندرجہ ذیل ادائیگی کی ہے۔

رقم بلین میں

| | |
|---------|---|
| 29.182 | حکومتی اداروں کو ادا کیے |
| 404.165 | آئٹم ٹیکس کی مد میں |
| 97.061 | بجلی اور گیس کی مد میں |
| 468.210 | بینکوں کو ادائیگی |
| | ۲- ملازمین کی تنخواہوں، اجرتوں اور دیگر فوائد کی مد میں |

ہم نے اوسط 1,114 مستقل افراد کو ملازمت دے رہے ہیں جو کہ خیبر پختونخوا کے صوبے کم از کم 8 افراد پر مشتمل 1,114 خاندان کے سہارا ہیں۔ جس کا سالانہ خرچہ 468.210 بلین روپے سالانہ ہے۔

سماجی ذمہ داری برائے کارپوریٹ

ہمیں یہ یقین ہے کہ تعلیم اقتصادی ترقی اور غربت کے خاتمے کے لئے ایک اہم کردار ادا کرتا ہے۔ پاکستان کی ترقی کے لئے بہترین تعلیمی سہولیات کے لئے ایک فوری ضرورت ہے اور مہارت حاصل کرنے کے لئے نوجوان لوگوں کو تیار اور ان سب سے زیادہ صلاحیت کو استعمال کرنے میں مدد کے لیے ہم ہر سال وقف قلمی خان ٹرسٹ کو گراماں قدر رقم ادا کرتے ہیں جو مستحق اور غریب طلباء کے تعلیمی اخراجات کیلئے خرچ کی جاتی ہے۔

صحت، حفاظت اور ماحول:

ہم اس پر یقین رکھتے ہیں کہ صحت، حفاظت اور ماحول میں اعلیٰ ترین معیار کو برقرار رکھنے کے لئے، ہم لوگوں کے ساتھ ساتھ کام کرنے والے لوگوں کی خوشحالی کو یقینی بنانا چاہتے ہیں۔

بعد میں آنے والے واقعات:

اس مالی سال کے اختتام اور رپورٹ کی تاریخ کے درمیان کمپنی کی مالی پوزیشن پر اثر انداز ہونے والے کوئی مہمات یا وعدے نہیں کئے گئے ہیں۔

ڈیویڈنڈ

کمپنی نے گزشتہ مالی سال میں 9.45 کروڑ روپے کی لاگت سے نئی مشینری لگائی ہے اور نئے سال میں مزید مشینری لگانے کا ارادہ رکھتی ہے جس کی وجہ سے بورڈ نے کیش ڈیویڈنڈ دینے کی سفارش کی ہے۔

ریونیو اور ریزرو

ایکویٹی میں تبدیلیوں کی سٹیٹمنٹ سے یہ ظاہر ہو رہا ہے کہ کمپنی نے 500 بلین روپے کی رقم جزل ریزرو سے جمع شدہ نقصان میں منتقل کر دی ہے۔ ایسوسی ایٹڈ کمپنیوں میں ہونے والی سرمایہ کاری پر نقصان کے اثرات کو جذب کرنے کے لئے یہ رقم منتقل کی گئی ہے۔

آڈیٹر کی رپورٹ کے پیرا گراف پر تبصرہ

گیس انفراسٹرکچر ڈیولپمنٹ سیس کے خلاف کمپنی نے پشاور ہائی کورٹ کے ساتھ ساتھ پیریم کورٹ آف پاکستان میں کیس کر رکھا ہے۔ گیس انفراسٹرکچر ڈیولپمنٹ سیس کے کیس میں پشاور ہائی کورٹ کا حکم اتنا ہی موجود ہے۔ پانپا نے گیس انفراسٹرکچر ڈیولپمنٹ سیس کے معاملے پر ہمارے وکیل کے ساتھ ایک اجلاس میں مستقبل کی حکمت عملی کے بارے میں مطلع کیا ہے کہ وہ گیس انفراسٹرکچر ڈیولپمنٹ سیس معاملے میں ہمارے کیس کی بنیاد بہت مضبوط اور درست ہے اور امید ہے کہ عدالت کا فیصلہ صنعت کے حق میں ہو جائے گا۔ ہائی کورٹ اور پاکستان کی پیریم کورٹ نے پہلے بھی ہماری اپیل پر گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2011ء کو غیر آئینی قرار دیا تھا جبکہ حکومت نے گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2015 میں کوئی نئی تبدیلی نہیں کی ہے یہ بھی

انفراسٹرکچر ڈیولپمنٹ سیس معاملے میں ہمارے کیس کی بنیاد بہت مضبوط اور درست ہے اور امید ہے کہ عدالت کا فیصلہ صنعت کے حق میں ہو جائے گا۔ ہائی کورٹ اور پاکستان کی پیریم کورٹ نے پہلے بھی ہماری اپیل پر گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2011ء کو غیر آئینی قرار دیا تھا جبکہ حکومت نے گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2015 میں کوئی نئی تبدیلی نہیں کی ہے یہ بھی گیس انفراسٹرکچر ڈیولپمنٹ سیس ایکٹ 2011ء کی طرح ہے جس کو اعلیٰ عدالتوں نے مسترد کیا ہے۔ اور ہم امید رکھتے ہیں ہمارے ملک کی اعلیٰ عدالتیں اس ایکٹ کو بھی مسترد کر دیں گی۔

آڈیٹر کی تقریری

کمپنی کے آڈیٹر جو کہ میسر شائن ونگ جمید چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ، پینک سکورز، لاہور جو اس سال ریٹائر ہو گئے ہیں نے دوبارہ تقریری کے لیے خدمات پیش کی ہیں۔ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ان کی بارہ تقریری کے لیے سفارش کی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کمپنی کے بینکاروں کی قدر کرتا ہے جو کہ مسلسل کمپنی کی مالی مشکلات میں بروقت مدد کرتے ہیں۔ اسکے علاوہ کمپنی کی انتظامیہ اور کارکنوں کی محنت کو بے مثال مشکل حالات میں بہتر نتائج حاصل کرنے پر شاباش دیتا ہے۔ اور امید کرتا ہے کہ مستقبل میں اسی لگن اور محنت سے کام کرتے رہیں گے۔

تاریخ: 24 ستمبر 2019 کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

بی بی علی قلی خان

لیفٹیننٹ جنرل (ریٹائرڈ) علی قلی خان خٹک

چیف ایگزیکٹو

Aschwan

برگیدٹر (ریٹائرڈ) عبدالصمد خان

ڈائریکٹر

KEY OPERATING AND FINANCIAL DATA SIX YEARS SUMMARY

----- (Re-stated) -----

| PARTICULARS | | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------------------|-----------------|------------------|-----------|-----------|-----------|-----------|-----------|
| Spindles installed | Nos. | 64,704 | 64,704 | 62,304 | 62,304 | 62,304 | 62,304 |
| Rotors installed | Nos. | 600 | 600 | 600 | 600 | 600 | 600 |
| PRODUCTION | Lbs. in million | 13.092 | 13.233 | 11.829 | 12.483 | 14.104 | 13.322 |
| Sales - Net | Rs. in million | 3,379.664 | 2,782.025 | 2,515.643 | 2,497.962 | 2,542.780 | 2,983.385 |
| Gross Profit | ---- " ---- | 264.771 | 127.022 | 117.381 | 158.101 | 198.125 | 429.024 |
| Profit from operations | ---- " ---- | 138.124 | 19.608 | 20.893 | 58.097 | 95.883 | 302.924 |
| (Loss) / Profit before Taxation | ---- " ---- | 41.272 | (72.151) | (21.538) | 14.114 | 14.721 | 249.465 |
| Provision for Taxation | ---- " ---- | 34.976 | (9.627) | (13.094) | 1.220 | (1.550) | 68.868 |
| (Loss) / Profit after Taxation | ---- " ---- | 6.296 | (62.524) | (8.444) | 12.894 | 16.271 | 180.597 |
| (Loss) / Earning per share | Rupees | 1.32 | (13.07) | (1.76) | 1.99 | 3.40 | 37.74 |
| Breakup Value per share (re-stated) | ---- " ---- | 678.56 | 676.75 | 691.88 | 713.13 | 482.73 | 480.86 |

| | | | | | | | |
|---------------------|----------------|--------------------|-------------|-------------|-----------|-----------|-----------|
| Total Assets | Rs. in million | 4,682.062 | 4,974.567 | 4,806.674 | 4,453.541 | 3,487.615 | 3,576.849 |
| Current Liabilities | ---- " ---- | (1,204.244) | (1,506.888) | (1,120.964) | (607.450) | (803.414) | (867.418) |
| | ---- " ---- | 3,477.818 | 3,467.679 | 3,685.710 | 3,846.091 | 2,684.201 | 2,709.431 |

REPRESENTED BY:

| | | | | | | | |
|--|----------------|------------------|-----------|-----------|-----------|-----------|-----------|
| Share Capital | Rs. in million | 47.848 | 47.848 | 47.848 | 47.848 | 47.848 | 47.848 |
| Reserves and Un-appropriated Profit | ---- " ---- | 3,198.905 | 3,190.262 | 3,262.679 | 3,364.318 | 2,261.898 | 2,252.968 |
| Equity | ---- " ---- | 3,246.753 | 3,238.110 | 3,310.527 | 3,412.166 | 2,309.746 | 2,300.816 |
| Long Term Loans | ---- " ---- | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 9.269 |
| Deferred Liabilities | ---- " ---- | 231.065 | 229.569 | 375.183 | 433.925 | 374.455 | 399.346 |
| | ---- " ---- | 3,477.818 | 3,467.679 | 3,685.710 | 3,846.091 | 2,684.201 | 2,709.431 |

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2) and 449)

PATTERN OF SHAREHOLDING

1. CUIIN (Incorporation Number)

| | | | | | | |
|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 1 | 1 | 9 | 3 |
|---|---|---|---|---|---|---|

2. Name of the Company

| |
|---|
| JANANA DE MALUCHO TEXTILE MILLS LIMITED |
|---|

3. Pattern of holding of the shares held by the shareholders as at

| | |
|---|---|
| 3 | 0 |
|---|---|

| | |
|---|---|
| 0 | 6 |
|---|---|

| | | | |
|---|---|---|---|
| 2 | 0 | 1 | 9 |
|---|---|---|---|

| 4. No of shareholders | <u>Shareholdings</u> | <u>Total shares held</u> |
|------------------------------|--------------------------------------|---------------------------------|
| 528 | shareholding from 1 to 100 shares | 19,221 |
| 384 | shareholding from 101 to 500 shares | 89,306 |
| 102 | shareholding from 501 to 1000 shares | 76,344 |
| 100 | shareholding from 1001 to 5000 | 205,264 |
| 13 | shareholding from 5001 to 10000 | 96,934 |
| 11 | shareholding from 10001 to 15000 | 138,512 |
| 2 | shareholding from 20001 to 25000 | 47,700 |
| 1 | shareholding from 30001 to 35000 | 31,000 |
| 3 | shareholding from 35001 to 40000 | 114,233 |
| 1 | shareholding from 40001 to 45000 | 41,143 |
| 1 | shareholding from 50001 to 55000 | 54,065 |
| 1 | shareholding from 60001 to 65000 | 62,700 |
| 1 | shareholding from 70001 to 75000 | 72,829 |
| 1 | shareholding from 125001 to 130000 | 129,762 |
| 1 | shareholding from 130001 to 135000 | 134,062 |
| 1 | shareholding from 245001 to 250000 | 249,800 |
| 1 | shareholding from 340001 to 345000 | 341,000 |
| 1 | shareholding from 475001 to 480000 | 478,444 |
| 1 | shareholding from 840001 to 845000 | 843,245 |
| 1 | shareholding from 1555001 to 1560000 | 1,559,230 |
| 1155 | Total | 4,784,794 |

| 5. Categories of shareholders | share held | Percentage |
|---|------------|------------|
| 5.1 Directors, Chief Executive Officer, and their spouse and minor children. | 46,954 | 0.98 |
| 5.2. Associated Companies, undertakings and related parties. | 2,743,475 | 57.34 |
| 5.3 ICP | 620 | 0.01 |
| 5.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 492,205 | 10.29 |
| 5.5 Insurance Companies | 38,422 | 0.80 |
| 5.6 Modarabas and Mutual Funds | NIL | NIL |
| 5.7 Share holders holding 10% | | |
| Bannu Woollen Mills Ltd | 1,559,230 | 32.59 |
| Bibojee Services (Pvt.) Ltd | 843,245 | 17.62 |
| National Bank of Pakistan | 478,444 | 10.00 |
| 5.8 General Public | | |
| a. Local | 1,325,324 | 27.70 |
| b. Foreign | NIL | NIL |
| 5.9 Others (to be specified) | | |
| Joint Stock Companies | 3,719 | 0.08 |
| Secretary to Govt. of KPK | 134,062 | 2.80 |
| Sheriar F. Irani Investment Trust Ltd. | 13 | 0.00 |

6. Signature of Secretary



7. Name of Signatory

ABID RAZA

8. Designation

Company Secretary

9. NIC Number

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 | 5 | 2 | 0 | 2 | - | 9 | 9 | 6 | 8 | 5 | 6 | 7 | - | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

10. Date

| | | | | | | | |
|-----|---|-------|---|------|---|---|---|
| Day | | Month | | Year | | | |
| 3 | 0 | 0 | 6 | 2 | 0 | 1 | 9 |

**DETAILS OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

| CATEGORIES OF SHAREHOLDERS | SHARES HELD |
|---|--------------------|
| 1. ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES: | |
| M/S BANNU WOOLLEN MILLS LTD, | 1,559,230 |
| M/S.BIBOJEE SERVICES (PVT) LTD. | 843,245 |
| M/S BABRI COTTON MILLS LTD, | 341,000 |
| 2. I.C.P: | |
| M/S. INVESTMENT CORPORATION OF PAKISTAN | 620 |
| 3. DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN: | |
| MR.RAZA KULI KHAN KHATTAK, Chairman | 12,482 |
| LT.GEN. (RETD) ALI KULI KHAN KHATTAK Chief Executive | 11,114 |
| MR.MUSHTAQ AHMED KHAN (FCA) Director | 13,241 |
| MR. GOHAR AYUB KHAN Director | 3,700 |
| MRS.SHAHNAZ SAJJAD AHMED Director | 6,107 |
| BRIG. (RETD) ABDUL SAMAD KHAN Director | 10 |
| COL. (RETD) SYED YUNUS ALI RAZA Director | 100 |
| MR. SAAD WAHEED Director | 100 |
| MR. KHALID KULI KHAN KHATTAK Director | 100 |
| 4. EXECUTIVES | 355 |
| 5. JOINT STOCK COMPANIES | 3,719 |
| 6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS | 530,627 |
| 7. SHAREHOLDERS HOLDING 10% OR MORE: | |
| M/S BANNU WOOLLEN MILLS LTD. | 1,559,230 |
| M/S BIBOJEE SERVICES (PVT) LTD. | 843,245 |
| M/S NATIONAL BANK OF PAKISTAN | 478,444 |
| 8. GENERAL PUBLIC & OTHERS | 1,459,044 |

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of Company **JANANA DE MALUCHO TEXTILE MILLS LIMITED (THE COMPANY)**
 Year Ended **30TH JUNE 2019**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

1. Total number of directors is nine as per following:

| | |
|------------|---|
| a. Male: | 8 |
| b. Female: | 1 |

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

| CATEGORY | NAMES |
|-------------------------------|--|
| Independent Directors | Brig. (Retd) Abdul Samad Khan Col. (Retd) Syed Yunus Ali Raza |
| Other Non-executive Directors | Mr. Raza Kuli Khan Khattak |
| | Mr. Mushtaq Ahmad Khan, FCA |
| | Mr. Gohar Ayub Khan |
| | Mrs. Shahnaz Sajjad Ahmad |
| | Mr. Saad Waheed |
| Executive Directors | Lt. Gen. (Retd) Ali Kuli Khan Khattak |
| | Mr. Khalid Kuli Khan Khattak |

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- 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.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
- 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- Five of our directors have already completed the Directors' Training Program (the Program), while one director has been given exemption from the program. Remaining three Directors will undertake the Program with in the stipulated time.

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

11. CFO and Chief Executive Officer (CEO) duly endorsed the financial statements before approval of the Board.

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

Audit Committee

| | | |
|----|---------------------------------|----------|
| a) | Brig. (Retd) Abdul Samad Khan | Chairman |
| b) | Mr. Raza Kuli Khan Khattak | Member |
| c) | Col. (Retd) Syed Yunus Ali Raza | Member |
| d) | Mr. Saad Waheed | Member |

Human Resource and Remuneration Committee

| | | |
|----|---------------------------------------|------------|
| a) | Brig. (Retd) Abdul Samad Khan | Chairman |
| b) | Lt. Gen. (Retd) Ali Kuli Khan Khattak | CEO/Member |
| c) | Col. (Retd) Syed Yunus Ali Raza | Member |
| d) | Mr. Saad Waheed | Member |

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

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

| | | |
|----|-------------------------------|-----------|
| a) | Audit Committee | Quarterly |
| b) | HR and Remuneration Committee | Yearly |

15. The Board has set up an effective internal audit department, which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

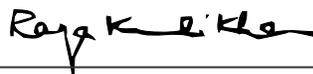
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and are registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

Signature

(Name in block letters)



RAZA KULI KHAN KHATTAK
(Chairman)

**INDEPENDENT AUDITORS' MODIFIED 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 **JANANA DE MALUCHO TEXTILE 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.

Further, we highlight below an instance of non-compliance with the requirements of the Regulations:

The Chief Financial Officer of the Company also held the office of the Company Secretary upto June 09, 2019.

Shinewing Hameed Chaudhri & Co.

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

Audit Engagement Partner: Nafees ud din

LAHORE; September 24, 2019

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF JANANA DE MALUCHO TEXTILE MILLS LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **JANANA DE MALUCHO TEXTILE 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.

Emphasis of Matter

We draw attention to note 26.3 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.626.355 million. Our report is not qualified in respect of this matter.

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:

| S.No. | Key audit matters | How the matter was addressed in our audit |
|-------|---|--|
| 1. | <p>Investment in Associated Companies</p> <p>The Company has investments in its Associated Companies - Babri Cotton Mills Ltd. and Bannu Woollen Mills Ltd. [note 7]. As at June 30, 2019, the carrying amounts of investments in above referred Associated Companies aggregated Rs.312.921 million (net of recognised impairment loss of Rs.101.357 million).</p> | <p>Our procedures in relation to assessment carrying values of investments in Associated Companies included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of management's accounting for investments in Associated Companies. - Understood management's process for identifying the existence of impairment indicators in respect of investments in Associated Companies. |

| S.No. | Key audit matters | How the matter was addressed in our audit |
|-------|--|--|
| | <p>The carrying values are higher by Rs.266.056 million in relation to the quoted market values of these investments. The Company carries-out impairment assessment of the value of investments where there are indicators of impairment.</p> <p>The Company has assessed the recoverable amounts of the investments in Associated Companies based on the higher of the value-in-use and fair value. Value-in-use is based on valuation analysis carried-out by an independent external investment Advisors engaged by the Company. The Valuer has used discounted free cash flow model, which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgment on both future cash flows and the discount rate applied to the future cash flows.</p> <p>In view of significant management judgment involved in the estimation of value in use, we consider this as a key audit matter.</p> | <ul style="list-style-type: none"> - Evaluated the independent external investment Advisors' competence, capabilities and objectivity. - Assessed the valuation methodology used by the independent external investment Advisors. - Checked, on sample basis, the reasonableness of the input data provided by the management to the independent external investment Advisors in support of evidence. - Tested mathematical accuracy of cash flows projections. - Assessed the reasonableness of cash flow projections, challenging and performing audit procedures on assumptions such as growth rate, future revenue and costs, terminal growth rate and discount rate by comparing the assumptions to historical results, budgets and comparing the current year's results with prior year forecasts and other relevant information. |
| | <p>2. Contingencies</p> <p>The Company is subject to material litigations involving different Courts pertaining to Gas Infrastructure Development Cess, taxation and other matters, which requires management to make assessment and judgments with respect to likelihood and impact of such litigations on the financial statements of the Company.</p> <p>The management has engaged independent legal counsels on these matters.</p> <p>The assessment of provisioning against such litigations is a complex exercise and requires significant judgments to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessments are disclosed in note 26 to the financial statements.</p> | <p>In response to this matter, we performed following audit procedures:</p> <ul style="list-style-type: none"> - Discussed legal cases with the internal legal department of the Company to understand the management's view point, obtained and reviewed the litigation documents to assess the facts and circumstances. - Obtained opinions from legal counsels dealing with such cases in the form of confirmations. - Evaluated the possible outcome of these legal cases in line with the requirements of IAS 37 (Provisions, contingent liabilities and contingent assets). - Disclosures of legal exposures and provisions were assessed for completeness and accuracy. |

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

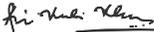
Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; September 24, 2019

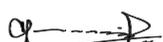
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

| | Note | (Restated) | | (Restated) |
|--|------|-------------------------|-------------------------|-------------------------|
| | | 2019 | 2018 | July 01, 2017 |
| ----- Rupees in thousand ----- | | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 6 | 3,123,417 | 3,117,231 | 3,183,026 |
| Investments in Associated Companies | 7 | 312,921 | 312,777 | 335,332 |
| Loans to employees | 8 | 232 | 1,163 | 1,151 |
| Security deposits | | 1,395 | 1,204 | 1,204 |
| | | <u>3,437,965</u> | <u>3,432,375</u> | <u>3,520,713</u> |
| Current assets | | | | |
| Stores, spares and loose tools | 9 | 64,057 | 60,662 | 61,404 |
| Stock-in-trade | 10 | 1,000,589 | 1,187,384 | 896,961 |
| Trade debts - unsecured, considered good | | 20,003 | 45,364 | 122,510 |
| Advances to employees | | 1,478 | 2,792 | 3,619 |
| Advance payments | 11 | 7,998 | 17,581 | 34,322 |
| Trade deposits and prepayments | 12 | 614 | 1,207 | 3,391 |
| Due from Associated Company | | 0 | 772 | 518 |
| Other receivables | 13 | 726 | 14,053 | 5,028 |
| Sales tax refundable | 14 | 47,492 | 112,381 | 58,024 |
| Income tax refundable, advance tax and tax deducted at source | | 96,010 | 87,826 | 83,185 |
| Cash and bank balances | 15 | 5,130 | 12,170 | 16,999 |
| | | <u>1,244,097</u> | <u>1,542,192</u> | <u>1,285,961</u> |
| TOTAL ASSETS | | <u>4,682,062</u> | <u>4,974,567</u> | <u>4,806,674</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Authorised capital | 16 | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> |
| Issued, subscribed and paid-up capital | 17 | <u>47,848</u> | <u>47,848</u> | <u>47,848</u> |
| Capital reserves | | | | |
| - capital redemption | 18 | 6,694 | 6,694 | 6,694 |
| - tax holiday | 18 | 350 | 350 | 350 |
| - share premium | 18 | 11,409 | 11,409 | 11,409 |
| - revaluation surplus on property, plant and equipment | 19 | 2,294,376 | 2,323,069 | 2,344,350 |
| Revenue reserves | | | | |
| - general reserve | 18 | 371,530 | 871,530 | 871,530 |
| - unappropriated profit / (accumulated loss) | | <u>514,546</u> | <u>(22,790)</u> | <u>28,346</u> |
| Shareholders' equity | | <u>3,246,753</u> | <u>3,238,110</u> | <u>3,310,527</u> |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Staff retirement benefits - gratuity | 20 | 55,574 | 51,343 | 153,932 |
| Deferred taxation | 21 | 175,491 | 178,226 | 221,251 |
| | | <u>231,065</u> | <u>229,569</u> | <u>375,183</u> |
| Current liabilities | | | | |
| Trade and other payables | 22 | 345,944 | 321,569 | 257,266 |
| Unclaimed dividends | | 294 | 294 | 1,425 |
| Accrued mark-up | | 18,351 | 19,818 | 15,499 |
| Short term finances | 23 | 799,867 | 1,142,370 | 821,017 |
| Taxation | 24 | 38,595 | 21,644 | 24,564 |
| Preference shares redemption account | 25 | 1,193 | 1,193 | 1,193 |
| | | <u>1,204,244</u> | <u>1,506,888</u> | <u>1,120,964</u> |
| Total liabilities | | <u>1,435,309</u> | <u>1,736,457</u> | <u>1,496,147</u> |
| Contingencies and commitments | 26 | | | |
| TOTAL EQUITY AND LIABILITIES | | <u>4,682,062</u> | <u>4,974,567</u> | <u>4,806,674</u> |

The annexed notes 1 to 47 form an integral part of these financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
 Chief Executive

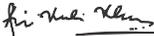

Brig. (Retd) Abdul Samad Khan
 Director


Amin-ur-Rasheed
 Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

| | Note | 2019 Rupees in thousand | (Restated) 2018 |
|--|-----------|----------------------------|--------------------|
| Sales | 27 | 3,379,664 | 2,782,025 |
| Cost of Sales | 28 | 3,114,893 | 2,655,003 |
| Gross Profit | | 264,771 | 127,022 |
| Distribution Cost | 29 | 45,666 | 36,041 |
| Administrative Expenses | 30 | 79,441 | 71,902 |
| Other Expenses | 31 | 3,446 | 1,141 |
| Other Income | 32 | (1,906) | (1,670) |
| | | 126,647 | 107,414 |
| Profit from Operations | | 138,124 | 19,608 |
| Finance Cost | 33 | 97,061 | 74,374 |
| | | 41,063 | (54,766) |
| Share of (Loss) / Profit from Associated Companies - net | 7 | (7,591) | 22,279 |
| Impairment reversal / (loss) on Investments in Associated Companies | 7 | 7,800 | (39,664) |
| | | 209 | (17,385) |
| Profit / (Loss) before Taxation | | 41,272 | (72,151) |
| Taxation | 34 | 34,976 | (9,627) |
| Profit / (Loss) after Taxation | | 6,296 | (62,524) |
| Other Comprehensive Income / (Loss) | | | |
| Items that will not be reclassified to profit or loss: | | | |
| - gain / (loss) on remeasurement of staff retirement benefit obligation | 20 | 821 | (19,264) |
| - impact of tax | | (238) | 5,587 |
| | | 583 | (13,677) |
| - share of other comprehensive loss of Associated Companies | | (65) | (3,368) |
| - impact of tax | 7 | 19 | 977 |
| | | (46) | (2,391) |
| | | 537 | (16,068) |
| Total Comprehensive Income / (Loss) | | 6,833 | (78,592) |
| | | ----- Rupees ----- | |
| Earnings / (Loss) per Share | 35 | 1.32 | (13.07) |

The annexed notes 1 to 47 form an integral part of these financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive

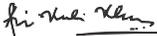

Brig. (Retd) Abdul Samad Khan
Director


Amin-ur-Rasheed
Chief Financial Officer

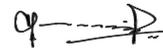
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019**

| | Reserves | | | | | | | Total |
|--|---------------|--------------------|-------------|---------------|--|-----------|--|-----------|
| | Capital | | | | Revenue | | | |
| | Share capital | Capital redemption | Tax holiday | Share premium | Revaluation surplus on property, plant and equipment | General | Unappropriated profit / (Accumulated loss) | |
| ----- Rupees in thousand ----- | | | | | | | | |
| Balance as at June 30, 2017 | 47,848 | 6,694 | 350 | 11,409 | 2,344,350 | 871,530 | 122,205 | 3,404,386 |
| Impact of re-statement (note 5) | 0 | 0 | 0 | 0 | 0 | 0 | (93,859) | (93,859) |
| Balance as at July 01, 2017 - re-stated | 47,848 | 6,694 | 350 | 11,409 | 2,344,350 | 871,530 | 28,346 | 3,310,527 |
| Total comprehensive loss for the year ended June 30, 2018: | | | | | | | | |
| - loss for the year | 0 | 0 | 0 | 0 | 0 | 0 | (62,524) | (62,524) |
| - other comprehensive loss | 0 | 0 | 0 | 0 | 0 | 0 | (16,068) | (16,068) |
| | 0 | 0 | 0 | 0 | 0 | 0 | (78,592) | (78,592) |
| Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation) | | | | | | | | |
| - on account of incremental depreciation for the year | 0 | 0 | 0 | 0 | (20,025) | 0 | 20,025 | 0 |
| - upon sale of revalued assets | 0 | 0 | 0 | 0 | (2,773) | 0 | 2,773 | 0 |
| Resultant adjustment due to reduction in tax rate | 0 | 0 | 0 | 0 | 5,296 | 0 | 0 | 5,296 |
| Share of revaluation surplus on property, plant and equipment of Associated Companies | 0 | 0 | 0 | 0 | (3,779) | 0 | 0 | (3,779) |
| Effect of items directly credited in equity by Associated Companies - net | 0 | 0 | 0 | 0 | 0 | 0 | 4,658 | 4,658 |
| Balance as at June 30, 2018 - restated | 47,848 | 6,694 | 350 | 11,409 | 2,323,069 | 871,530 | (22,790) | 3,238,110 |
| Transfer | 0 | 0 | 0 | 0 | 0 | (500,000) | 500,000 | 0 |
| Total comprehensive income for the year ended June 30, 2019: | | | | | | | | |
| - profit for the year | 0 | 0 | 0 | 0 | 0 | 0 | 6,296 | 6,296 |
| - other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 537 | 537 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 6,833 | 6,833 |
| Transfer from revaluation surplus on property, plant and equipment (net of deferred taxation) | | | | | | | | |
| - on account of incremental depreciation for the year | 0 | 0 | 0 | 0 | (19,080) | 0 | 19,080 | 0 |
| - upon sale of revalued assets | 0 | 0 | 0 | 0 | (5,744) | 0 | 5,744 | 0 |
| Share of revaluation surplus on property, plant and equipment of Associated Companies | 0 | 0 | 0 | 0 | (3,869) | 0 | 0 | (3,869) |
| Effect of items directly credited in equity by Associated Companies - net | 0 | 0 | 0 | 0 | 0 | 0 | 5,679 | 5,679 |
| Balance as at June 30, 2019 | 47,848 | 6,694 | 350 | 11,409 | 2,294,376 | 371,530 | 514,546 | 3,246,753 |

The annexed notes 1 to 47 form an integral part of these financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive

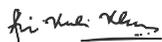

Brig. (Retd) Abdul Samad Khan
Director


Amin-ur-Rasheed
Chief Financial Officer

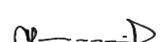
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

| | Note | 2019 Rupees in thousand | 2018 |
|---|------|----------------------------|------------------|
| Cash flows from operating activities | | | |
| Profit / (loss) for the year - before taxation and share of (loss) / profit of Associated Companies | | 41,063 | (54,766) |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 81,706 | 84,126 |
| Loss on sale of plant & machinery | | 1,038 | 1,121 |
| Excess provision of workers' welfare fund written-back | | 0 | (27) |
| Staff retirement benefits - gratuity (net) | | 5,052 | (121,853) |
| Finance cost | | 95,257 | 72,509 |
| Profit / (loss) before working capital changes | | 224,116 | (18,890) |
| Effect on cash flows due to working capital changes | | | |
| (Increase) / decrease in current assets: | | | |
| Stores, spares and loose tools | | (3,395) | 742 |
| Stock-in-trade | | 186,795 | (290,423) |
| Trade debts | | 25,361 | 77,146 |
| Loans and advances to employees | | 2,245 | 815 |
| Advance payments | | 9,583 | 16,741 |
| Trade deposits and prepayments | | 593 | 2,184 |
| Due from Associated Company | | 772 | (254) |
| Other receivables | | 13,327 | (9,025) |
| Sales tax refundable | | 64,889 | (54,357) |
| Decrease / (increase) in current liabilities: | | | |
| Increase in trade and other payables | | 24,375 | 64,798 |
| Decrease in unclaimed dividends | | 0 | (1,131) |
| | | 324,545 | (192,764) |
| Cash generated from / (used in) operations | | 548,661 | (211,654) |
| Taxes paid | | (29,182) | (30,544) |
| Net cash generated from / (used in) operating activities | | 519,479 | (242,198) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure - net | | (96,305) | (28,729) |
| Sale proceeds of operating fixed assets | | 7,375 | 9,277 |
| Security deposits | | (191) | 0 |
| Dividend received | | 1,829 | 3,658 |
| Net cash used in investing activities | | (87,292) | (15,794) |
| Cash flows from financing activities | | | |
| Short term finances - net | | (342,503) | 321,353 |
| Finance cost paid | | (96,724) | (68,190) |
| Net cash (used in) / generated from financing activities | 45 | (439,227) | 253,163 |
| Net decrease in cash and cash equivalents | | (7,040) | (4,829) |
| Cash and cash equivalents - at beginning of the year | | 12,170 | 16,999 |
| Cash and cash equivalents - at end of the year | | 5,130 | 12,170 |

The annexed notes 1 to 47 form an integral part of these financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive


Brig. (Retd) Abdul Samad Khan
Director


Amin-ur-Rasheed
Chief Financial Officer

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

1. LEGAL STATUS AND OPERATIONS

Janana De Malucho Textile Mills Ltd. (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of yarn. The Company's mills and its registered office are located at Habibabad, Kohat.

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 thousand 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 & 6.1
- Provision for impairment of inventories - notes 4.3, 4.4, 9 and 10
- Allowance for expected credit loss - note 4.5
- Impairment loss of non-financial assets other than inventories - note 4.7

- Staff retirement benefits - gratuity - notes 4.9 and 20
- Estimation of provisions - note 4.11
- Estimation of contingent liabilities - notes 4.12 & 26
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - notes 4.13, 21 & 24

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.

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 do not have any significant impact on 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 is as follows:

The Company manufactures and contracts with customers for the sale of yarn, which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time as the control has been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15, which replaced IAS 18, IAS 11 and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Accordingly the adoption of IFRS 15 at July 01, 2018 did not have an effect on the financial statements of the Company.

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

4.1 Property, plant and equipment

Measurement

Items of property, plant and equipment other than freehold land, buildings on freehold land, plant & machinery, generators 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 buildings on freehold land, plant & machinery and generators are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

Capital work-in-progress is stated at cost 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 item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Revaluation

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in 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 profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to retained earnings.

Depreciation

Depreciation is charged so as to write-off the cost or revalued amount 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 6.1 to the financial statements.

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

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 in the statement of profit or loss. In case of the sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the revaluation surplus on property, plant and equipment is transferred directly to unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any change in estimates is accounted for on a prospective basis.

4.2 Investments in Associated Companies

Investments in Associated Companies are accounted for by using equity basis of accounting, under which 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 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 profit or loss.

4.3 Stores, spares and loose tools

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

4.4 Stock-in-trade

Basis of valuation are as follows:

| <u>Particulars</u> | <u>Mode of valuation</u> |
|--------------------|--|
| Raw materials | |
| - at mills | - At lower of annual average cost and net realisable value. |
| - in transit | - At cost accumulated to the reporting date. |
| Work-in-process | - At cost. |
| Finished goods | - At lower of cost and net realisable value. |
| Waste | - At net realisable value. |
| | - Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost. |
| | - Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability. |
| | - Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale. |

Judgments 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.

4.5 Trade debts

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.

4.6 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.

4.7 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.

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.

4.8 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

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

4.9 Staff retirement benefits**(a) Defined benefit plan**

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

(b) Defined contribution plan

The Company, during the preceding year, has introduced defined contribution plan through Employees' Provident Fund for its eligible employees. Equal monthly contributions at the rate of 8.33% of their gross salaries are made both by the employees and the Company.

4.10 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.

4.11 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

4.12 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.

4.13 Taxation

Taxation comprises of current tax and deferred tax.

Income tax expense is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any, in which case the tax amounts are recognised directly in other comprehensive income or equity.

(a) Current

Current tax is the expected tax payable on the taxable income / turnover for the year; calculated using rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credits and tax rebates, if any, and is inclusive of any adjustment to income tax payable or recoverable in respect of previous years.

(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 profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

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

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

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.

4.14 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.

4.15 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 loses 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).

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.

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.

Recognition of loss allowance

The Company recognizes 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.

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.

4.16 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.

4.17 Revenue recognition

Revenue from contracts with customers is recognised at the point in time when the performance obligation is satisfied i.e. control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods.

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 accounted for on 'accrual basis'.

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

4.18 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 41 to these financial statements.

5. RE-STATEMENT

The Securities and Exchange Commission of Pakistan has directed the Company's Board of Directors (the Board) vide its order dated August 30, 2019 to rectify the defaults and also to undo the irregularities leading to modified opinion of the external Auditors on the financial statements of the Company for the year ended June 30, 2018. The Board has resolved to engage independent valuation Consultants (M/s Aamir Salman Rizwan, Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore) to ascertain valuation of its investments in Associated Companies. The Valuers have ascertained share valuations based on discounted free cash flows. The effects of these valuations have been accounted for retrospectively in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors) and comparative figures have been restated in compliance with the aforementioned order.

| | As at June 30, 2018 | | | As at June 30, 2017 | | |
|---|------------------------|-------------|----------------|------------------------|-------------|-------------|
| | As previously reported | Restatement | As restated | As previously reported | Restatement | As restated |
| ----- Rupees in thousand ----- | | | | | | |
| Effect on statement of financial position | | | | | | |
| Investments in Associated Companies | 425,888 | (113,111) | 312,777 | 450,039 | (114,707) | 335,332 |
| Equity | 3,319,565 | (81,455) | 3,238,110 | 3,404,386 | (93,859) | 3,310,527 |
| Deferred taxation | 209,882 | (31,656) | 178,226 | 242,099 | (20,848) | 221,251 |
| Effect on statement of changes in equity | | | | | | |
| Unappropriated profit / (Accumulated loss) | 58,665 | (81,455) | (22,790) | 122,205 | (93,859) | 28,346 |
| Effect on statement of profit or loss for the year ended June 30, 2018 | | | | | | |
| Share of (Loss) / Profit from Associated Companies - net | (18,451) | 40,730 | 22,279 | - | - | - |
| Impairment loss on Investments in Associated Companies | 0 | (39,664) | (39,664) | - | - | - |
| Taxation | 1,181 | (10,808) | (9,627) | - | - | - |
| ----- Rupees ----- | | | | | | |
| Loss per Share | (15.55) | 2.48 | (13.07) | - | - | - |

| 6. PROPERTY, PLANT AND EQUIPMENT | Note | 2019 | 2018 |
|--|-------------|---------------------------|-------------|
| | | Rupees in thousand | |
| Operating fixed assets - tangible | 6.1 | 3,121,633 | 3,117,231 |
| Capital work-in-progress - plant and machinery | 6.9 | 1,784 | 0 |
| | | 3,123,417 | 3,117,231 |

6.1 Operating fixed assets - owned

| Freehold land | Roads, paths and culverts | Buildings on freehold land | | | | Plant & machinery | Generators | Workshop equipment | Furniture and fixtures | Office & other equipment | Computer equipment and accessories | Vehicles | Arms | Security & surveillance | Total |
|---------------|---------------------------|----------------------------|-------------|-------------|---------|-------------------|------------|--------------------|------------------------|--------------------------|------------------------------------|----------|------|-------------------------|-------|
| | | Factory | Non-factory | Residential | | | | | | | | | | | |
| | | | | Officers | Workers | | | | | | | | | | |

Rupees in thousand

As at June 30, 2017

| | | | | | | | | | | | | | | | | |
|--------------------------|-----------|-------|---------|-------|-------|--------|-----------|---------|-------|--------|-------|-------|--------|-------|-------|-----------|
| Cost / revaluation | 1,676,500 | 1,247 | 262,078 | 7,901 | 7,443 | 12,645 | 1,309,371 | 191,959 | 4,286 | 14,444 | 3,640 | 1,602 | 29,724 | 7,958 | 3,018 | 3,533,816 |
| Accumulated depreciation | 0 | 0 | 19,159 | 566 | 2,602 | 2,637 | 348,125 | 59,031 | 2,420 | 6,397 | 1,765 | 405 | 14,442 | 1,532 | 1,880 | 460,961 |
| Book value | 1,676,500 | 1,247 | 242,919 | 7,335 | 4,841 | 10,008 | 961,246 | 132,928 | 1,866 | 8,047 | 1,875 | 1,197 | 15,282 | 6,426 | 1,138 | 3,072,855 |

Year ended
June 30, 2018:

| | | | | | | | | | | | | | | | | |
|---------------------------|-----------|-------|---------|-------|-------|-------|-----------|---------|-------|-------|-------|-------|--------|-------|-----|-----------|
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 136,770 | 0 | 25 | 662 | 102 | 478 | 707 | 0 | 156 | 138,900 |
| Disposals | | | | | | | | | | | | | | | | |
| Cost / revaluation | 0 | 0 | 0 | 0 | 0 | 0 | (18,059) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (18,059) |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 7,661 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,661 |
| Depreciation for the year | 0 | 0 | 12,146 | 367 | 242 | 500 | 52,669 | 13,293 | 93 | 413 | 95 | 427 | 3,195 | 321 | 365 | 84,126 |
| Book value | 1,676,500 | 1,247 | 230,773 | 6,968 | 4,599 | 9,508 | 1,034,949 | 119,635 | 1,798 | 8,296 | 1,882 | 1,248 | 12,794 | 6,105 | 929 | 3,117,231 |

Year ended
June 30, 2019:

| | | | | | | | | | | | | | | | | |
|---------------------------|-----------|-------|---------|-------|-------|-------|-----------|---------|-------|-------|-------|-----|--------|-------|-----|-----------|
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 78,512 | 15,522 | 0 | 346 | 0 | 79 | 62 | 0 | 0 | 94,521 |
| Disposals | | | | | | | | | | | | | | | | |
| Cost / revaluation | 0 | 0 | 0 | 0 | 0 | 0 | (16,540) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (16,540) |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 8,127 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,127 |
| Depreciation for the year | 0 | 0 | 11,539 | 349 | 230 | 475 | 52,685 | 12,277 | 90 | 426 | 94 | 397 | 2,560 | 305 | 279 | 81,706 |
| Book value | 1,676,500 | 1,247 | 219,234 | 6,619 | 4,369 | 9,033 | 1,052,363 | 122,880 | 1,708 | 8,216 | 1,788 | 930 | 10,296 | 5,800 | 650 | 3,121,633 |

As at June 30, 2018

| | | | | | | | | | | | | | | | | |
|--------------------------|-----------|-------|---------|-------|-------|--------|-----------|---------|-------|--------|-------|-------|--------|-------|-------|-----------|
| Cost / revaluation | 1,676,500 | 1,247 | 262,078 | 7,901 | 7,443 | 12,645 | 1,428,082 | 191,959 | 4,311 | 15,106 | 3,742 | 2,080 | 30,431 | 7,958 | 3,174 | 3,654,657 |
| Accumulated depreciation | 0 | 0 | 31,305 | 933 | 2,844 | 3,137 | 393,133 | 72,324 | 2,513 | 6,810 | 1,860 | 832 | 17,637 | 1,853 | 2,245 | 537,426 |
| Book value | 1,676,500 | 1,247 | 230,773 | 6,968 | 4,599 | 9,508 | 1,034,949 | 119,635 | 1,798 | 8,296 | 1,882 | 1,248 | 12,794 | 6,105 | 929 | 3,117,231 |

As at June 30, 2019

| | | | | | | | | | | | | | | | | |
|--------------------------|-----------|-------|---------|-------|-------|--------|-----------|---------|-------|--------|-------|-------|--------|-------|-------|-----------|
| Cost / revaluation | 1,676,500 | 1,247 | 262,078 | 7,901 | 7,443 | 12,645 | 1,490,054 | 207,481 | 4,311 | 15,452 | 3,742 | 2,159 | 30,493 | 7,958 | 3,174 | 3,732,638 |
| Accumulated depreciation | 0 | 0 | 42,844 | 1,282 | 3,074 | 3,612 | 437,691 | 84,601 | 2,603 | 7,236 | 1,954 | 1,229 | 20,197 | 2,158 | 2,524 | 611,005 |
| Book value | 1,676,500 | 1,247 | 219,234 | 6,619 | 4,369 | 9,033 | 1,052,363 | 122,880 | 1,708 | 8,216 | 1,788 | 930 | 10,296 | 5,800 | 650 | 3,121,633 |

Depreciation rate (%)

| | | | | | | | | | | | | | | | |
|--|---|---|---|---|---|---|----|---|---|---|----|----|---|----|--|
| | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 5 | 5 | 5 | 30 | 20 | 5 | 30 | |
|--|---|---|---|---|---|---|----|---|---|---|----|----|---|----|--|

- 6.2** Freehold land represents 242,306 square meters of land situated at Habibabad Kohat out of which approximately 51,825 square meters represent covered area.
- 6.3** The management in order to ascertain the useful life of operating fixed assets had carried-out an internal exercise during the financial year ended June 30, 2007 and assessed the remaining useful life of depreciable assets other than vehicles. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates were reduced to 5% from 10%. The management, in this regard, had also obtained opinion from independent Valuers [M/s. Dimen Associates (Pvt.) Ltd., approved Valuers of Pakistan Banks Association]; the Valuers had confirmed the depreciation rates adopted by the management.
- 6.4** The management, during the financial year ended June 30, 2017, in order to ascertain the useful life of generators had carried-out an internal exercise and assessed their remaining useful lives. Keeping in consideration the assessed useful lives of generators, their depreciation rates were enhanced to 10% per annum from 5% per annum.
- 6.5** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

| | 2019 | 2018 |
|-----------------------------|---------------------------|----------------|
| | Rupees in thousand | |
| Freehold land | 340 | 340 |
| Buildings on freehold land: | | |
| - factory | 39,061 | 41,117 |
| - non-factory | 1,236 | 1,302 |
| Residential: | | |
| - officers | 132 | 139 |
| - workers | 6,321 | 6,653 |
| Plant & machinery | 758,635 | 717,320 |
| Generators | 114,505 | 110,329 |
| | <u>920,230</u> | <u>877,200</u> |

- 6.6** Based on the revaluation report as at December 31, 2015 the forced sale values of the revalued items of property, plant and equipment were assessed as follows.

| | Rupees in thousand |
|----------------------------------|---------------------------|
| Freehold land | 1,341,200 |
| Buildings on freehold land | 224,330 |
| Plant & machinery and generators | 806,032 |
| | <u>2,371,562</u> |

- 6.7 Depreciation for the year has been apportioned as under:**

| | 2019 | 2018 |
|-------------------------|---------------------------|---------------|
| | Rupees in thousand | |
| Cost of sales | 79,508 | 81,594 |
| Administrative expenses | 2,198 | 2,532 |
| | <u>81,706</u> | <u>84,126</u> |

6.8 Disposal of plant & machinery

| Particulars | Cost | Accumulated depreciation | Book value | Sale proceeds | Loss | Sold through negotiation to |
|-------------|------|--------------------------|------------|---------------|------|-----------------------------|
|-------------|------|--------------------------|------------|---------------|------|-----------------------------|

----- Rupees in thousand -----

2019

| | | | | | | |
|------------------|---------------|--------------|--------------|--------------|----------------|--|
| Card machines | 9,969 | 5,922 | 4,047 | 3,350 | (697) | Abdul Hafeez, Sarfaraz Colony, Faisalabad. |
| Drawing machines | 6,571 | 2,205 | 4,366 | 4,025 | (341) | ---- do ---- |
| | 16,540 | 8,127 | 8,413 | 7,375 | (1,038) | |

2018

| | | | | | | |
|--------------------|---------------|--------------|---------------|--------------|----------------|--------------|
| Comber | 15,271 | 6,045 | 9,226 | 8,235 | (991) | ---- do ---- |
| Murata machine | 2,433 | 1,421 | 1,012 | 916 | (96) | ---- do ---- |
| Hard waste machine | 355 | 195 | 160 | 126 | (34) | ---- do ---- |
| | 18,059 | 7,661 | 10,398 | 9,277 | (1,121) | |

6.9 Capital work-in-progress - plant and machinery**2019** **2018**
Rupees in thousand

| | | |
|---|--------------|-----------|
| Opening balance | 0 | 110,171 |
| Additions during the year | 1,784 | 26,599 |
| Transferred to operating fixed assets during the year | 0 | (136,770) |
| Balance as at June 30, | 1,784 | 0 |

7. INVESTMENTS IN ASSOCIATED COMPANIES - Quoted

| | 2019 | (Restated) 2018 | (Restated) 2017 |
|---|----------------|--------------------|--------------------|
| Babri Cotton Mills Ltd. (BCM) | | | |
| 587,493 (2018: 587,493) ordinary shares of Rs.10 each - cost | 10,973 | 10,973 | 10,973 |
| Equity held: 16.09% (2018: 16.09%) | | | |
| Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BCM | 63,146 | 72,088 | 86,244 |
| Share of revaluation surplus on property, plant and equipment | 144,594 | 147,291 | 149,966 |
| Loss for the year - net of taxation | (6,276) | (9,792) | (18,718) |
| Share of other comprehensive income / (loss) - net of taxation | 33 | (1,829) | 1,162 |
| Balance c/f | 212,470 | 218,731 | 229,627 |

| | (Restated) | (Restated) |
|---|------------------|------------|
| 2019 | 2018 | 2017 |
| ----- Rupees in thousand ----- | | |
| Balance b/f | 212,470 | 229,627 |
| Bannu Woollen Mills Ltd. (BWM) | | |
| 731,626 (2018: 731,626) ordinary shares of Rs.10 each - cost | 7,697 | 7,697 |
| Equity held: 7.70% (2018: 7.70%) | | |
| Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity by BWM | 74,880 | 72,313 |
| Share of revaluation surplus on property, plant and equipment | 122,454 | 124,730 |
| (Loss) / profit for the year - net of taxation | (1,315) | (26,046) |
| Share of other comprehensive loss / income - net of taxation | (79) | 162 |
| Dividend received | (1,829) | (3,658) |
| | 201,808 | 175,198 |
| | 414,278 | 404,825 |
| Less: impairment loss - BCM | 0 | (23,055) |
| - BWM | (101,357) | (46,438) |
| | (101,357) | (69,493) |
| | 312,921 | 335,332 |

- 7.1 Although the Company has less than 20% voting rights in BCM and BWM as at June 30, 2019 and 2018, these Companies have been treated as Associated Companies by virtue of common directorship.
- 7.2 Market value of the Company's investments in BCM and BWM as at June 30, 2019 was Rs.21.990 million (2018: Rs.29.962 million) and Rs.24.875 million (2018: Rs.36.398 million) respectively.
- 7.3 BCM was incorporated in Pakistan on October 26, 1970 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of yarn.

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

Summarised statement of financial position

| | | | |
|-------------------------|------------------|-----------|-----------|
| Non-current assets | 1,944,395 | 1,813,864 | 1,680,117 |
| Current assets | 1,063,252 | 815,533 | 723,756 |
| | 3,007,647 | 2,629,397 | 2,403,873 |
| Deferred income | 0 | 0 | 2,100 |
| Non-current liabilities | 278,310 | 231,432 | 177,942 |
| Current liabilities | 1,407,826 | 1,037,531 | 771,525 |
| | 1,686,136 | 1,268,963 | 951,567 |
| Net assets | 1,321,511 | 1,360,434 | 1,452,306 |

| | 2019 | (Restated) 2018 | (Restated) 2017 |
|--|--------------------------------|--------------------|--------------------|
| | ----- Rupees in thousand ----- | | |
| Reconciliation to carrying amount | | | |
| Opening net assets | 1,360,434 | 1,452,306 | 1,469,463 |
| Loss for the year | (39,018) | (84,439) | (29,296) |
| Other comprehensive income / (loss) for the year | 203 | (11,374) | 7,222 |
| Other adjustments | (108) | 3,941 | 4,917 |
| Closing net assets | <u>1,321,511</u> | <u>1,360,434</u> | <u>1,452,306</u> |
| Company's share percentage 16.09% (2018: 16.09%) | | | |
| Company's share | 212,631 | 218,894 | 233,676 |
| Impairment loss and miscellaneous adjustments- net | (161) | (163) | (27,104) |
| Carrying amount of investment | <u>212,470</u> | <u>218,731</u> | <u>206,572</u> |
| Summarised statement of profit or loss | | | |
| Sales | <u>2,218,285</u> | <u>1,890,012</u> | <u>1,649,638</u> |
| (Loss) / profit before taxation | <u>(95,379)</u> | <u>(84,477)</u> | <u>48,121</u> |
| Loss after taxation | <u>(39,018)</u> | <u>(84,439)</u> | <u>(29,296)</u> |

- 7.4 BWM was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Pakistan Stock Exchange Ltd. It is principally engaged in manufacture and sale of woollen yarn, cloth and blankets.

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

Summarised statement of financial position

| | | | |
|--|------------------|------------------|------------------|
| Non-current assets | 2,169,969 | 2,189,455 | 1,921,524 |
| Current assets | 1,108,769 | 1,104,569 | 957,879 |
| | <u>3,278,738</u> | <u>3,294,024</u> | <u>2,879,403</u> |
| Non-current liabilities | 111,338 | 139,021 | 203,118 |
| Current liabilities | 565,898 | 511,618 | 285,986 |
| | <u>677,236</u> | <u>650,639</u> | <u>489,104</u> |
| Net assets | <u>2,601,502</u> | <u>2,643,385</u> | <u>2,390,299</u> |
| Reconciliation to carrying amount | | | |
| Opening net assets | 2,643,385 | 2,390,299 | 2,363,837 |
| (Loss) / profit for the year | (17,083) | 307,780 | 67,725 |
| Dividend paid during the year | (23,766) | (47,531) | (47,531) |
| Other comprehensive (loss) / income for the year | (1,023) | (7,982) | 2,104 |
| Other adjustments | (11) | 819 | 4,164 |
| Closing net assets | <u>2,601,502</u> | <u>2,643,385</u> | <u>2,390,299</u> |
| Company's share percentage 7.70% (2018: 7.70%) | | | |
| Company's share | 200,316 | 203,541 | 184,053 |
| Impairment loss and miscellaneous adjustments- net | (99,865) | (109,495) | (55,293) |
| Carrying amount of investment | <u>100,451</u> | <u>94,046</u> | <u>128,760</u> |

| | 2019 | (Restated) 2018 | (Restated) 2017 |
|---|--------------------------------|--------------------|--------------------|
| | ----- Rupees in thousand ----- | | |
| Summarised statement of profit or loss | | | |
| Sales | <u>793,305</u> | <u>838,619</u> | <u>838,619</u> |
| (Loss) / profit before taxation | <u>(22,794)</u> | <u>446,922</u> | <u>93,971</u> |
| (Loss) / profit after taxation | <u>(17,083)</u> | <u>307,780</u> | <u>67,725</u> |

7.5 The Company, during the financial years 1972-73 and 1973-74, had declared dividend in specie by distributing its investment in the share capital of Babri Cotton Mills Ltd. The Company wrote-back these unclaimed dividends in specie during the years 1989 and 1990 and incorporated these as investment. During the current and preceding years, no distribution by way of dividend in specie was made.

7.6 The value of investment in BCM as at June 30, 2019 and June 30, 2018 is based on independent valuation carried-out by M/s Aamir Salman Rizwan; Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore, engaged by the management. The recoverable amounts have been estimated based on value in use calculations. These calculations have been made on discounted cash flow based valuation methodology, which assumes gross profit margin of 11.25% (2018: 11.25%), terminal growth rate of 5% (2018: 5%) and capital asset pricing model based discount rate of 12.43% (2018: investor's required rate of return of 9.71%).

7.7 The value of investment in BWM as at June 30, 2019 and June 30, 2018 is based on independent valuation carried-out by M/s Aamir Salman Rizwan; Chartered Accountants - a QCR rated firm, having office at 414-F, M.A. Johar Town, Lahore, engaged by the management. The recoverable amounts have been estimated based on value in use calculations. These calculations have been made on discounted cash flow based valuation methodology, which assumes average gross profit margin of 35.20% (2018: 35.11%), terminal growth rate of 5% (2018: 5%) and capital asset pricing model based discount rate of 10.18% (2018: investor's required rate of return of 9.57%).

7.8 Also refer contents of note 5.

8. LOANS TO EMPLOYEES - Secured

| | Note | 2019 Rupees in thousand | 2018 |
|--|------------|----------------------------|--------------|
| Loans to: | | | |
| - related party - key management person | 8.1 | 0 | 580 |
| - other employees | 8.2 | 1,137 | 2,744 |
| | | <u>1,137</u> | <u>3,324</u> |
| Less: current portion grouped under current assets | | | |
| - related party - key management person | | <u>0</u> | 160 |
| - other employees | | <u>905</u> | 2,001 |
| | | <u>905</u> | <u>2,161</u> |
| | | <u>232</u> | <u>1,163</u> |

8.1 The opening receivable balance of interest free loan advanced to General Manager Technical for construction of house and certain other purposes was fully recovered during the year. The maximum aggregate amount of loan at any month-end during the year was Rs.565 thousand (2018: Rs.825 thousand).

8.2 These interest free loans to employees have been advanced for various purposes and are recoverable in instalments which vary from case to case. These loans are secured against the gratuity benefits payable to respective employees.

| 9. STORES, SPARES AND LOOSE TOOLS | Note | 2019 Rupees in thousand | 2018 |
|---|---|----------------------------|-----------|
| Stores | | | |
| - at mills | | 26,162 | 27,485 |
| - in transit | | 10,084 | 4,930 |
| Spares [including obsolete gas generators' parts inventory valuing Rs.16.305 million (2018: Rs.16.305 million)] | | 43,770 | 44,143 |
| Loose tools | | 346 | 409 |
| | | 80,362 | 76,967 |
| Less: provision against obsolete gas generators' parts | | 16,305 | 16,305 |
| | | 64,057 | 60,662 |
| 10. STOCK-IN-TRADE | | | |
| Raw materials: | | | |
| - at mills | | 731,544 | 1,022,050 |
| - in transit | | 141,204 | 40,980 |
| | 10.1 | 872,748 | 1,063,030 |
| Work-in-process | | 70,736 | 60,008 |
| Finished goods | 10.1 | 57,105 | 64,346 |
| | | 1,000,589 | 1,187,384 |
| 10.1 | Raw material and finished good inventories are pledged with National Bank of Pakistan and The Bank of Khyber as security for short term finance facilities (note 23). | | |
| 11. ADVANCE PAYMENTS | - Unsecured considered good | | |
| Raw material suppliers | | 107 | 181 |
| Store suppliers | | 5,935 | 13,695 |
| Post dated cheques issued in favour of Customs Authorities | | 62 | 1,230 |
| Others | | 1,894 | 2,475 |
| | | 7,998 | 17,581 |
| 12. TRADE DEPOSITS AND PREPAYMENTS | | | |
| Letters of credit | | 14 | 215 |
| Prepayments | | 600 | 992 |
| | | 614 | 1,207 |
| 13. OTHER RECEIVABLES | | | |
| Letters of credit claims receivable | | 584 | 1,418 |
| Arbitration award receivable | 13.1 | 0 | 12,635 |
| Due from Employees' Provident Fund | | 142 | 0 |
| | | 726 | 14,053 |

13.1 The balance as at June 30, 2018 included arbitration award amounting U.S.\$ 104,074 (Rs.12.635 million) delivered by International Cotton Association in favour of the Company. The Company had made bargains to import cotton from DML EXIM (Pvt.) Ltd. India (DML), which could not perform and backed-out of bargains. The Company, as per the agreement terms, referred its case for arbitration and won the aforementioned award. The Company, during the current year, has agreed to settle the claim on payment of U.S.\$ 90,000 by DML and also received the payment.

14. SALES TAX REFUNDABLE

The Company, during the year, has received sales tax refunds aggregating Rs.98.167 million.

15. CASH AND BANK BALANCES

| | Note | 2019 Rupees in thousand | 2018 |
|---|------|----------------------------|--------|
| Cash-in-hand | | 2,045 | 838 |
| Cash at banks on: | | | |
| - current accounts | | 2,150 | 10,445 |
| - PLS security deposit account | 15.1 | 195 | 179 |
| - PLS account (employees / staff gratuity fund account) | 15.1 | 740 | 708 |
| | | 3,085 | 11,332 |
| | | 5,130 | 12,170 |

15.1 PLS accounts carry profit at the rates ranging from 6% to 8% (2018: 3.75%) per annum.

16. AUTHORISED SHARE CAPITAL

| | 2019 | 2018 | | | |
|-------------------|-------------------|------------|--|----------------|---------|
| | ---- Numbers ---- | | | | |
| 18,000,000 | 18,000,000 | | Ordinary shares of Rs.10 each | 180,000 | 180,000 |
| 700,000 | 700,000 | | 7.5% redeemable cumulative preference shares of Rs.10 each | 7,000 | 7,000 |
| 1,300,000 | 1,300,000 | | 10% redeemable cumulative preference shares of Rs.10 each | 13,000 | 13,000 |
| | 20,000,000 | 20,000,000 | | 200,000 | 200,000 |

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | | | | |
|------------------|------------------|--|---------------|--------|
| 1,640,900 | 1,640,900 | Ordinary shares of Rs.10 each fully paid in cash | 16,409 | 16,409 |
| 2,130,544 | 2,130,544 | Ordinary shares of Rs.10 each issued to Financial Institutions by conversion of loans and debentures | 21,305 | 21,305 |
| 6,832 | 6,832 | Ordinary shares of Rs.10 each issued by conversion of preference shares | 68 | 68 |
| 1,006,518 | 1,006,518 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 10,066 | 10,066 |
| | 4,784,794 | | 47,848 | 47,848 |

| 17.1 Ordinary shares held by the Associated Companies at the year-end: | | 2019 | 2018 |
|---|---|---------------------------|------------------|
| | | Number of shares | |
| | Bibojee Services (Pvt.) Ltd. | 843,245 | 843,245 |
| | Bannu Woollen Mills Ltd. | 1,559,230 | 1,559,230 |
| | Babri Cotton Mills Ltd. | 341,000 | 341,000 |
| | | 2,743,475 | 2,743,475 |
| 18. RESERVES | | 2019 | 2018 |
| | Note | Rupees in thousand | |
| Capital: | | | |
| | - capital redemption reserve | 6,694 | 6,694 |
| | - tax holiday reserve | 350 | 350 |
| | - share premium reserve | 11,409 | 11,409 |
| | | 18,453 | 18,453 |
| | Revenue - general reserve | 371,530 | 871,530 |
| | | 389,983 | 889,983 |
| 18.1 | This represents premium at the rate of Rs.10 per share received on 1,140,900 ordinary shares allotted during the financial year ended June 30, 2010. | | |
| 19. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - Net | | | |
| | Revaluation surplus on the Company's property, plant and equipment | 19.2 | 2,027,328 |
| | Share of revaluation surplus on property, plant and equipment of Associated Companies | 7 | 267,048 |
| | | 2,294,376 | 2,323,069 |
| 19.1 | The Company had revalued its freehold land on September 30, 1998, September 30, 2004, June 30, 2007, March 31, 2010 and February 29, 2012. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004, June 30, 2007, March 31, 2010 and February 29, 2012. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.1.539 billion. | | |
| 19.2 | The Company, as at December 31, 2015, has again revalued its aforementioned operating fixed assets. The latest revaluation exercise has been carried-out by independent Valuers - M/s Hamid Mukhtar & Co. (Pvt.) Ltd., Consulting Engineers, Surveyors and Loss Adjusters, Valuation Consultants, 14-Q Gulberg-2, Lahore. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators have been revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.883.939 million has been credited to this account. The year-end balance has been arrived at as follows: | | |

| Note | 2019 Rupees in thousand | 2018 |
|---|----------------------------|------------------|
| Opening balance | 2,205,730 | 2,238,298 |
| Less: transferred to unappropriated profit | | |
| - on account of incremental depreciation for the year | (26,873) | (28,607) |
| - upon sale of revalued assets | (8,090) | (3,961) |
| | <u>2,170,767</u> | <u>2,205,730</u> |
| Less: deferred tax on: | | |
| - opening balance of surplus | 153,578 | 168,644 |
| - incremental depreciation for the year | (7,793) | (8,582) |
| - sale of revalued assets | (2,346) | (1,188) |
| | <u>143,439</u> | <u>158,874</u> |
| | <u>2,027,328</u> | <u>2,046,856</u> |
| Resultant adjustment due to reduction in tax rate | 0 | 5,296 |
| Closing balance | <u>2,027,328</u> | <u>2,052,152</u> |

20. 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:

| Significant actuarial assumptions | 2019 | 2018 |
|--|-------------------|-------------------|
| - discount rate | 14% | 9% |
| - expected rate of growth per annum in future salaries | 13% | 8% |
| - mortality rates | SLIC 2001-2005 | SLIC 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:

| The movement in the present value of defined benefit obligation is as follows: | 2019 Rupees in thousand | 2018 |
|--|----------------------------|---------------|
| Opening balance | 51,343 | 153,932 |
| Current service cost | 15,844 | 14,506 |
| Interest cost | 3,957 | 6,043 |
| Past service cost | 0 | 9,515 |
| Benefits paid | (13,865) | (61,413) |
| Benefits due but not paid (classified under current liabilities) | (884) | (90,504) |
| Remeasurements: experience adjustments | (821) | 19,264 |
| Closing balance | <u>55,574</u> | <u>51,343</u> |

| Expense recognised in the statement of profit or loss | 2019 | 2018 |
|--|---------------------------|---------------|
| | Rupees in thousand | |
| Current service cost | 15,844 | 14,506 |
| Interest cost | 3,957 | 6,043 |
| Past service cost | 0 | 9,515 |
| | 19,801 | 30,064 |

Charge for the year has been allocated to:

| | | |
|---------------------------|---------------|---------------|
| - cost of sales | 19,801 | 22,548 |
| - distribution cost | 0 | 601 |
| - administrative expenses | 0 | 6,915 |
| | 19,801 | 30,064 |

Remeasurement recognised in other comprehensive income

| | | |
|--|------------|-----------------|
| Experience adjustments (net of deferred tax) | 583 | (13,677) |
|--|------------|-----------------|

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 in thousand ----- | | | | |
| Present value of defined benefit obligation | 55,574 | 51,343 | 153,932 | 148,929 | 108,911 |
| Experience adjustments on obligation | (821) | 19,264 | 1,703 | 25,862 | 0 |

Year-end sensitivity analysis:

| | | Impact on defined benefit obligation | |
|--------------------|-----------------------------|---|-----------------|
| | Change in assumption | Increase | Decrease |
| | | Rupees in thousand | |
| Discount rate | 1% | 52,583 | 59,634 |
| Salary growth rate | 1% | 59,798 | 52,375 |

20.1 The average duration of the defined benefit obligation as at June 30, 2019 is 6 years.

20.2 The expected contribution to defined benefit obligation for the year ending June 30, 2020 is Rs.24.535 million.

21. DEFERRED TAXATION - Net

(Restated) (Restated)
2019 2018 2017
----- Rupees in thousand -----

This is composed of the following:

Taxable temporary differences arising in respect of:

| | | | |
|---|---------|---------|---------|
| - accelerated tax depreciation allowances | 187,276 | 185,736 | 186,836 |
| - surplus on revaluation of property, plant and equipment | 143,436 | 153,576 | 168,642 |
| | 330,712 | 339,312 | 355,478 |

Deductible temporary differences arising in respect of:

| | | | |
|---|-----------|-----------|-----------|
| - staff retirement benefits - gratuity | (21,871) | (41,136) | (46,180) |
| - unused tax losses | (10,978) | 0 | 0 |
| - minimum tax recoverable against normal tax charge in future years | (92,978) | (88,294) | (67,199) |
| - impairment loss provided for on investments in Associated Companies | (29,394) | (31,656) | (20,848) |
| | (155,221) | (161,086) | (134,227) |
| | 175,491 | 178,226 | 221,251 |

21.1 Also refer contents of note 5.

22. TRADE AND OTHER PAYABLES

2019 2018
Rupees in thousand

| | Note | 2019 | 2018 |
|--|------|---------|---------|
| Creditors | | 36,781 | 45,684 |
| Bills payable against imported: | | | |
| - plant and machinery | | 0 | 26,868 |
| - raw materials | | 97,199 | 3,119 |
| - stores and spares | | 2,708 | 0 |
| Advances from customers - contract liabilities | | 3,103 | 8,013 |
| Advance payments | 22.1 | 184 | 184 |
| Accrued expenses | 22.2 | 180,810 | 142,159 |
| Tax deducted at source | | 234 | 1,778 |
| Gratuity payable to: | 22.3 | | |
| - key management personnel | 22.4 | 13,614 | 66,231 |
| - other employees | | 6,228 | 22,734 |
| Due to Waqf-e-Kuli Khan | 22.5 | 2,635 | 2,421 |
| Workers' (profit) participation fund - allocation for the year | | 2,172 | 0 |
| Security deposits repayable on demand - interest free | | 112 | 112 |
| Employees' provident fund payable | | 0 | 1,878 |
| Others | | 164 | 388 |
| | | 345,944 | 321,569 |

22.1 These advances have been received against sale of land.

22.2 No amount was payable to Associated Companies at the end of current and preceding years.

22.3 Upon introduction of Employees' Provident Fund during the preceding year; gratuity benefits payable have been reclassified and grouped under current liabilities.

22.4 Major gratuity payments during the current year included payments made to:

| | Rupees in thousand |
|---|---------------------------|
| - Executive Director Finance & Production | 4,200 |
| - Executive Director Technical | 24,727 |
| - Senior General Manager (Finance & Commercial) | 16,035 |
| - General Manager Technical | 6,068 |
| - Manager Costing, IT and Sales Tax | 3,231 |

22.5 Waqf-e-Kuli Khan (a Charitable Institution) is administered by the following directors of the Company:

| | |
|---|------------------------------|
| - Lt. General (Retd.) Ali Kuli Khan Khattak | - Mr. Raza Kuli Khan Khattak |
| - Mr. Mushtaq Ahmad Khan, FCA | - Mrs. Shahnaz Sajjad Ahmad |

23. SHORT TERM FINANCES

| | Note | 2019 | 2018 |
|---------------------------------------|-------------|---------------------------|------------------|
| | | Rupees in thousand | |
| Secured | 23.1 | 799,826 | 1,141,160 |
| Un-secured (temporary bank overdraft) | | 41 | 1,210 |
| | | 799,867 | 1,142,370 |

23.1 Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber (BoK) under mark-up arrangements aggregate Rs.1.500 billion (2018: Rs.1.500 billion) and are secured against pledge of raw materials & finished goods and first charge on current & fixed assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 7.92% to 15.87% (2018: 7.14% to 9.42%) per annum.

Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.385 million (2018: Rs.385 million) out of which facilities amounting Rs.207.793 million (2018: Rs.232.310 million) remained unutilised at the year-end. These facilities are secured against lien on import documents and the securities as detailed in the preceding paragraph.

These facilities are available upto December 31, 2019.

24. TAXATION - Net

| | | | |
|--|--------------|---------------|--------|
| Opening balance | | 21,644 | 24,564 |
| Add: provision made / (written-back) during the year: | | | |
| current [net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs.3.926 million; (2018: Rs.13.680 million)] | 24.12 | 38,595 | 21,644 |
| prior year | | (646) | 871 |
| | | 37,949 | 22,515 |
| | | 59,593 | 47,079 |
| Less: payments / adjustments made against completed assessments | | 20,998 | 25,435 |
| | | 38,595 | 21,644 |

- 24.1** Income tax returns of the Company have been filed upto the tax year 2018 i.e. accounting year ended June 30, 2018.
- 24.2** Provision for the current year represents tax payable under sections 5 (Tax on dividends) and 113 (Minimum tax on the income of certain persons) of the Ordinance.
- 24.3** The Department, on October 05, 2015, for tax year 2015 has charged tax under sections 161/236 G&H of the Income Tax Ordinance, 2001 (the Ordinance) amounting Rs. 6.995 million; the Commissioner Inland Revenue Appeals - CIR(A) has decided the appeal on April 16, 2018 against the Company. The Company has filed further appeal on May 16, 2018 before the Appellate Tribunal Inland Revenue, Lahore - ATIR, which is pending adjudication.
- 24.4** Tax charged for the tax year 2014 at Rs.42.883 million on February 08, 2018 has been deleted by the CIR(A) on June 23, 2018 and he has also partially set aside various additions made by the Deputy Commissioner. The Company as well as the Income Tax Department (the Department) have filed further appeals on July 12, 2018 on the point of set aside before the ATIR, which are pending adjudication.
- 24.5** The Department, on March 24, 2015, has charged tax under sections 161/236 G&H of the Ordinance for tax years 2014 and 2015 at Rs.12.936 million and Rs.4.809 million respectively; the CIR(A) has decided the appeal on March 15, 2016 against the Company against which the Company has filed further appeal on April 07, 2016 before the ATIR, which is pending adjudication.
- 24.6** The Department, on October 03, 2016, has charged tax aggregating Rs.3.998 million under sections 161/205 of the Ordinance for the tax year 2012 against which appeal has been filed on October 13, 2016 before the CIR(A), which is pending adjudication.
- 24.7** The CIR(A) has decided the appeal for the tax year 2011 in favour of the Company on October 06, 2016 and demands of tax charged under sections 161/205 of the Ordinance aggregating Rs.5.632 million have been deleted. The Company has filed for appeal effects with the Department on December 06, 2016, which is under process. However, the Department has filed further appeal before the ATIR on January 04, 2017.
- 24.8** The Department has charged tax on January 22, 2014 under section 122(5A) of the Ordinance for tax year 2008 at Rs.214 thousand; the CIR(A) has decided the appeal on November 18, 2014 against the Company against which the Company has filed further appeal before the ATIR on December 16, 2014, which is pending adjudication.
- 24.9** The ATIR has decided the appeal on February 21, 2017 for tax year 2007 and remanded the case back to the Deputy Commissioner Inland Revenue for de novo consideration.
- 24.10** The ATIR, during the financial year ended June 30, 2017 for the tax years 2004 to 2006, had cancelled all the assessments on October 05, 2016 made under section 122(5A) of the Ordinance by the Commissioner Inland Revenue LTU, Lahore and restored the original assessments under section 120(1) of the Ordinance.
- 24.11** The Company's writ petition before the Islamabad High Court, Islamabad filed on December 14, 2011 praying exemption from levy of minimum tax under section 113 of the Ordinance is still pending adjudication. An adverse judgment by the Court will create tax liability under section 113 of the Ordinance aggregating Rs.51.828 million.

The Finance Act, 2015 has omitted clause 126F of the Ordinance and inserted a new sub-clause (xx) of clause (11A) in part IV of the second schedule of the Ordinance wherein exemption from levy of minimum tax under section 113 of the Ordinance has been provided. The amendment would have a retrospective impact being related to tax years 2010, 2011 and 2012.

24.12 No numeric tax rate reconciliation is presented in these financial statements as the Company is mainly liable to pay tax due under sections 5 (Tax on dividends) and 113 (Minimum tax on the income of certain persons) of the Ordinance.

| 25. PREFERENCE SHARES REDEMPTION ACCOUNT | Note | 2019 | 2018 |
|---|-------------|---------------------------|--------------|
| | | Rupees in thousand | |
| Amounts payable on: | | | |
| - 7.5% redeemable cumulative preference shares | 25.1 | 134 | 134 |
| - 10% redeemable cumulative preference shares | 25.2 | 1,059 | 1,059 |
| | | 1,193 | 1,193 |

25.1 This represents the balance of total issue of 250,000 shares, which became convertible at par into ordinary shares of the Company or redeemable in cash at the option of the shareholders of the said class of shares after August 30, 1976. The Company had redeemed 118,828 shares during the year 1976, which were tendered for redemption in accordance with the terms of the issue.

3,060 shares were converted into ordinary shares of the Company after the year 1976 at the option exercised by the shareholders.

These shares totalling 128,112 could not be redeemed during the preceding years due to non-availability of adequate funds and incurrence of persistent losses. The Company's profitability and availability of funds in the recent past had allowed the management to redeem these shares fully as provided under section 85 of the repealed Companies Ordinance, 1984. The Company, during the current year, had redeemed no further shares and the opening balance of 13,435 shares was outstanding as at June 30, 2019.

25.2 This represents the balance of total issue of 426,250 shares, which were convertible at par into ordinary shares of the Company at the option of the shareholders of the said class of shares during the period from October 01, 1977 to October 01, 1981. As per terms of the issue, the unconverted shares were to be redeemed on October 01, 1982. However, 3,772 shares were converted into ordinary shares of the Company after the year 1984 at the request of the shareholders although the time for conversion as fixed by the Controller of Capital Issues had expired on October 01, 1981. These shares are due for redemption at par since October 01, 1982.

As stated in the preceding note, the Company's profitability and availability of funds in the recent past had allowed the management to redeem these shares also. The Company, upto June 30, 2014, had redeemed 314,483 shares whereas 2,112 further shares were redeemed during the financial year ended June 30, 2017.

26. CONTINGENCIES AND COMMITMENTS

26.1 The Company, vide show cause notice dated May 28, 2013, was directed to make payments aggregating Rs.75.698 million by way of sales tax under various sections of the Sales Tax Act, 1990 (the Act) read with certain SROs. The Lahore High Court, Lahore (LHC) had suspended operation of the impugned show cause notice on September 12, 2013. The LHC has decided the case on October 13, 2017 with the direction that the Company may take its objections before the adjudication officer determining the show cause notice. The Sales Tax Department (the Department), vide its judgment dated March 06, 2018, has reduced the demands to Rs.5.978 million against which the Company has filed an appeal on March 20, 2018, which is pending before Commissioner Inland Revenue (Appeals) - CIR(A) Lahore.

26.2 The Department, vide order dated January 27, 2018 under section 11(3) of the Act, has created demand of Rs.182.690 million for the period July, 2011 to June, 2013 against which the Company has filed writ petition before the LHC on January 30, 2018, which has declared the order passed by the Deputy Commissioner Inland Revenue illegal and void ab-initio on February 09, 2018. The Department against order of the LHC has further filed an appeal on March 27, 2018 before the Supreme Court of Pakistan, which is pending adjudication.

26.3 The Company had challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition on May 31, 2017. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of June, 2019, has raised GIDC demands aggregating Rs.626.355 million, which are payable in case of an adverse judgment by the SCP. The management, during the financial year ended June 30, 2017, has made GIDC provisions aggregating Rs.78.043 million relating to that year in its books of account; no further provision has been made during the current year. Provisions for the balance GIDC demands aggregating Rs.548.312 million pertaining to prior years and the current year have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

26.4 Counter guarantee given by the Company to a commercial bank outstanding as at June 30, 2019 was for Rs.75 million (2018: Rs.75 million).

| | | | |
|---|-------------|---------------------------|-------------|
| 26.5 Commitments against irrevocable letters of credit outstanding at the year-end were for: | Note | 2019 | 2018 |
| | | Rupees in thousand | |
| - stores and spares | | 2,300 | 6,914 |
| - raw materials | | 0 | 40,790 |
| | | 2,300 | 47,704 |

26.6 Also refer contents of note 24.

27. SALES - Net

| | | | |
|------------------------------------|-------------|------------------|-----------|
| Yarn | | 3,279,921 | 2,710,638 |
| Waste | | 107,449 | 91,927 |
| Raw materials purchased for resale | | 1,014 | 0 |
| | | 3,388,384 | 2,802,565 |
| Less: sales tax | 27.1 | 8,720 | 20,540 |
| | | 3,379,664 | 2,782,025 |

27.1 As per S.R.O. Notification 491(I) / 2016 dated June 30, 2016, sales made by the Company to registered persons were charged sales tax at zero percent with effect from July 01, 2016 whereas sales made to un-registered persons were charged sales tax at one percent as per S.R.O Notification 584(I) / 2017 dated July 01, 2017 with effect from July 01, 2017.

| 28. COST OF SALES | Note | 2019 Rupees in thousand | 2018 |
|---|------|----------------------------|------------------|
| Raw materials consumed | 28.1 | 1,989,644 | 1,657,420 |
| Packing materials consumed | | 52,674 | 58,202 |
| Salaries, wages and benefits | 28.2 | 468,210 | 402,391 |
| Power and fuel | | 404,165 | 345,583 |
| Stores consumed | | 90,555 | 74,548 |
| Repair and maintenance | | 9,480 | 9,467 |
| Depreciation | 6.7 | 79,508 | 81,594 |
| Insurance | | 8,886 | 10,491 |
| Others | | 14,460 | 12,543 |
| | | <u>3,117,582</u> | <u>2,652,239</u> |
| Adjustment of work-in-process | | | |
| Opening | | <u>60,008</u> | 46,919 |
| Closing | 10 | <u>(70,736)</u> | (60,008) |
| | | <u>(10,728)</u> | <u>(13,089)</u> |
| Cost of goods manufactured | | <u>3,106,854</u> | <u>2,639,150</u> |
| Adjustment of finished goods | | | |
| Opening stock | | <u>64,346</u> | 80,199 |
| Closing stock | 10 | <u>(57,105)</u> | (64,346) |
| | | <u>7,241</u> | <u>15,853</u> |
| Cost of goods sold - own manufactured | | <u>3,114,095</u> | <u>2,655,003</u> |
| Cost of goods sold - raw materials purchased for resale | | <u>798</u> | <u>0</u> |
| | | <u>3,114,893</u> | <u>2,655,003</u> |
| 28.1 Raw materials consumed | | | |
| Opening stock | | 1,063,030 | 769,843 |
| Purchases | | <u>1,798,895</u> | <u>1,950,113</u> |
| | | <u>2,861,925</u> | <u>2,719,956</u> |
| Less: closing stock | 10 | <u>872,748</u> | 1,063,030 |
| Raw materials issued | | <u>1,989,177</u> | <u>1,656,926</u> |
| Cess on cotton consumed | | <u>467</u> | <u>494</u> |
| | | <u>1,989,644</u> | <u>1,657,420</u> |
| 28.2 | | | |
| These include Rs.19.801 million (2018: Rs.22.548 million) in respect of staff retirement benefits - gratuity and Rs.5.916 million (2018: Rs. 4.322 million) for employees' provident fund contribution. | | | |
| 29. DISTRIBUTION COST | | | |
| Salaries and benefits | 29.1 | 18,494 | 12,440 |
| Commission | | 24,341 | 20,554 |
| Freight and handling | | 2,626 | 2,669 |
| Gifts and samples | | 24 | 7 |
| Others | | 181 | 371 |
| | | <u>45,666</u> | <u>36,041</u> |

29.1 These include Rs. Nil (2018: Rs.601 thousand) in respect of staff retirement benefits - gratuity and Rs.793 thousand (2018: Rs.660 thousand) for employees' provident fund contribution.

30. ADMINISTRATIVE EXPENSES

| | Note | 2019 Rupees in thousand | 2018 |
|--|------|----------------------------|---------------|
| Salaries and benefits | 30.1 | 62,333 | 56,325 |
| Printing and stationery | | 466 | 547 |
| Travelling and conveyance - staff | | 549 | 237 |
| Travelling - directors | | 331 | 304 |
| Communication | | 961 | 1,025 |
| Rent, rates and taxes | | 2,094 | 1,466 |
| Guest house expenses and entertainment | | 485 | 500 |
| Insurance | | 880 | 975 |
| Vehicles' running and maintenance | | 2,689 | 2,071 |
| Advertisement | | 41 | 38 |
| Subscription | | 696 | 561 |
| Repair and maintenance | | 651 | 603 |
| Auditors' remuneration: | | | |
| - statutory audit | | 1,062 | 965 |
| - half yearly review | | 215 | 215 |
| - certification charges | | 79 | 67 |
| - out-of-pocket expenses | | 45 | 45 |
| - short provision for the preceding year | | 96 | 127 |
| | | 1,497 | 1,419 |
| Legal and professional charges (other than Auditors) | | 2,433 | 2,145 |
| Depreciation | 6.7 | 2,198 | 2,532 |
| Others | | 1,137 | 1,154 |
| | | <u>79,441</u> | <u>71,902</u> |

30.1 These include Rs. Nil (2018: Rs.6.915 million) in respect of staff retirement benefits - gratuity and Rs. 3.526 million (2018: Rs.3.962 million) for employees' provident fund contribution.

31. OTHER EXPENSES

| | | | |
|---|-----|--------------|--------------|
| Donations (without directors' interest) | | 20 | 20 |
| Loss on sale of plant & machinery | 6.8 | 1,038 | 1,121 |
| Donation to Waqf-e-Kuli Khan | | 214 | 0 |
| Workers' (profit) participation fund | | 2,172 | 0 |
| Others | | 2 | 0 |
| | | <u>3,446</u> | <u>1,141</u> |

32. OTHER INCOME

Income from financial assets

Return on bank deposits 55 34

Income from non-financial assets

Quarters' rent 1,851 1,609

Excess provision for workers' welfare fund written-back 0 27

1,906 1,670

| 33. FINANCE COST | Note | 2019 Rupees in thousand | 2018 |
|---|------|----------------------------|------------------|
| Mark-up on short term finances | | 95,257 | 72,509 |
| Bank charges | | 1,804 | 1,865 |
| | | <u>97,061</u> | <u>74,374</u> |
| 34. TAXATION | | | |
| Current | | | |
| - for the year | | 38,595 | 21,644 |
| - for prior years | | (646) | 871 |
| | 24 | <u>37,949</u> | <u>22,515</u> |
| Deferred: | | | |
| - for the year | | (2,973) | (37,438) |
| - resultant adjustment due to reduction in tax rate | 19 | 0 | 5,296 |
| | | <u>(2,973)</u> | <u>(32,142)</u> |
| | | <u>34,976</u> | <u>(9,627)</u> |
| 35. EARNINGS / (LOSS) PER SHARE | | | (Re-stated) |
| | | 2019 | 2018 |
| There is no dilutive effect on earnings / (loss) per share of the Company, which is based on: | | Rupees in thousand | |
| Profit / (loss) after taxation attributable to ordinary shareholders | | <u>6,296</u> | <u>(62,524)</u> |
| | | (Number of shares) | |
| Weighted average number of ordinary shares in issue during the year | | <u>4,784,794</u> | <u>4,784,794</u> |
| | | ----- Rupees ----- | |
| Earnings / (loss) per share - basic | | <u>1.32</u> | <u>(13.07)</u> |
| 36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES | | | |
| 36.1 Financial instruments by category | | 2019 | 2018 |
| Financial assets | | Rupees in thousand | |
| At amortised cost | | | |
| Loans to employees | | 232 | 1,163 |
| Advances to employees | | 1,478 | 2,792 |
| Trade debts | | 20,003 | 45,364 |
| Other receivables | | 142 | 12,635 |
| Cash and bank balances | | 5,130 | 12,170 |
| | | <u>26,985</u> | <u>74,124</u> |
| Financial liabilities | | | |
| At amortised cost | | | |
| Trade and other payables | | 345,526 | 319,607 |
| Unclaimed dividends | | 294 | 294 |
| Accrued mark-up | | 18,351 | 19,818 |
| Short term finances | | 799,867 | 1,142,370 |
| Redeemable preference shares | | 1,193 | 1,193 |
| | | <u>1,165,231</u> | <u>1,483,282</u> |

36.2 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, price 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.

36.3 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 JPY, CHF, U.S. \$ and Euro. The Company's exposure to foreign currency risk for JPY, CHF, U.S. \$ and Euro is as follows:

| | Rupees | JPY | CHF | U.S.\$ | Euro |
|-------------------------------|-------------------------|--------------|-----------|------------|-----------|
| | ----- in thousand ----- | | | | |
| 2019 | | | | | |
| Funded | | | | | |
| Bills payable | 99,907 | 0 | 14 | 591 | 0 |
| Unfunded | | | | | |
| Outstanding letters of credit | 2,300 | 842 | 0 | 6 | 0 |
| Total exposure | 102,207 | 842 | 14 | 597 | 0 |
| 2018 | | | | | |
| Funded | | | | | |
| Bills payable | 29,987 | 2,842 | 0 | 221 | 0 |
| Unfunded | | | | | |
| Outstanding letters of credit | 47,704 | 0 | 0 | 336 | 49 |
| Total exposure | 77,691 | 2,842 | 0 | 557 | 49 |

The following significant exchange rates have been applied:

| | Average rate | | Reporting date rate | |
|------------------|--------------|--------|---------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| JPY to Rupee | 1.20 | 1.05 | 1.53 | 1.10 |
| CHF to Rupee | 160.17 | - | 168.61 | - |
| U.S. \$ to Rupee | 141.96 | 111.87 | 164.50 | 121.60 |
| Euro to Rupee | 159.90 | 119.84 | 186.99 | 141.57 |

Sensitivity analysis

At June 30, 2019, if Rupee had strengthened by 10% against U.S.\$, JPY and Euro with all other variables held constant, profit before taxation for the year would have been higher (2018: loss before taxation for the year would have been lower) by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

| | 2019 | 2018 |
|--|--------------------|-------|
| | Rupees in thousand | |
| Effect on profit / (loss) for the year: | | |
| JPY to Rupee | - | 312 |
| CHF to Rupee | 236 | - |
| U.S. \$ to Rupee | 9,722 | 2,687 |

The weakening of Rupee against JPY, CHF and U.S. \$ would have had an equal but opposite impact on loss after taxation.

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

(b) Interest rate risk

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

| | 2019 | 2018 | 2019 | 2018 |
|----------------------------------|----------------|--------------|--------------------|------------------|
| | Effective rate | | Carrying amount | |
| | % | % | Rupees in thousand | |
| Fixed rate instruments | | | | |
| Financial assets | | | | |
| Bank balances | 6 to 8 | 3.75 | <u>195</u> | <u>179</u> |
| Variable rate instruments | | | | |
| Financial liabilities | | | | |
| Short term finances | 7.92 to 15.87 | 7.14 to 9.42 | <u>799,826</u> | <u>1,141,160</u> |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect statement of profit or loss 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 lower / higher by Rs.7.998 million mainly as a result of higher interest expense on variable rate financial liabilities; (2018: loss before taxation for the year would have been higher by Rs.11.412 million mainly as a result of higher interest expense on variable rate financial liabilities).

(c) Price risk

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

36.4 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 and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 10 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date along with comparative is tabulated below:

| | 2019 | 2018 |
|-----------------------------|--------------------|---------------|
| | Rupees in thousand | |
| Security deposits | 1,395 | 1,204 |
| Trade debts | 20,003 | 45,364 |
| Due from Associated Company | 0 | 772 |
| Other receivables | 0 | 12,635 |
| Bank balances | 3,085 | 11,332 |
| | <u>24,483</u> | <u>71,307</u> |

All the trade debts at the reporting date represent domestic parties.

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

| | | |
|-----------------------------|---------------|---------------|
| Not past due | 20,003 | 44,589 |
| Past due more than one year | 0 | 775 |
| | <u>20,003</u> | <u>45,364</u> |

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.18.995 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.

36.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

| | Carrying amount | Contractual cash flows having maturity of less than one year |
|-------------------------------------|-------------------------|---|
| | Rupees in thousand | |
| 2019 | | |
| Trade and other payables | 345,526 | 345,526 |
| Unclaimed dividends | 294 | 294 |
| Accrued mark-up | 18,351 | 18,351 |
| Short term finances | 799,867 | 848,421 |
| Redeemable preference shares | 1,193 | 1,193 |
| | <u>1,165,231</u> | <u>1,213,785</u> |
| 2018 | | |
| Trade and other payables | 319,607 | 319,607 |
| Unclaimed dividends | 294 | 294 |
| Accrued mark-up | 19,818 | 19,818 |
| Short term finances | 1,142,370 | 1,185,009 |
| Redeemable preference shares | 1,193 | 1,193 |
| | <u>1,483,282</u> | <u>1,525,921</u> |

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

37. MEASUREMENT OF FAIR VALUES

The management, during the financial year ended June 30, 2016, has engaged an independent external Valuer to carry out valuation of its freehold land, buildings on freehold land, plant & machinery and generators. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained. When measuring the fair value of an asset, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. 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).

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.

38. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt, mark-up bearing short term finances less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. The gearing ratio as at June 30, 2019 and June 30, 2018 is as follows:

| | 2019 | 2018 |
|---|--------------------|------------------|
| | Rupees in thousand | |
| Short term finances | 799,867 | 1,142,370 |
| Cash and bank balances | (5,130) | (12,170) |
| Net debt | 794,737 | 1,130,200 |
| Share capital | 47,848 | 47,848 |
| Capital redemption reserve | 6,694 | 6,694 |
| Tax holiday reserve | 350 | 350 |
| Share premium reserve | 11,409 | 11,409 |
| Revaluation surplus on property, plant and equipment | 2,294,376 | 2,323,069 |
| General reserve | 371,530 | 871,530 |
| Unappropriated profit / (accumulated loss) | 514,546 | (22,790) |
| Equity | 3,246,753 | 3,238,110 |
| Capital | 4,041,490 | 4,368,310 |
| Gearing ratio (Net debt / (Net debt + Equity)) | 19.66% | 25.87% |

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| Particulars | Chief Executive | | Director | | Executives | |
|-------------|-----------------|------|----------|------|------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |

-----Rupees in thousand-----

| | | | | | | |
|-------------------------|--------------|-------|---------------|--------|----------------|--------|
| Managerial remuneration | 6,435 | 6,558 | 19,299 | 14,099 | 86,817 | 58,677 |
| Bonus / ex-gratia | 434 | 434 | 972 | 664 | 3,963 | 3,360 |
| Retirement benefits | 528 | 528 | 1,176 | 1,079 | 5,609 | 4,908 |
| Leave salary | 477 | 477 | 1,276 | 1,069 | 4,847 | 3,694 |
| Medical | 271 | 163 | 237 | 642 | 1,701 | 2,128 |
| Utilities | 546 | 426 | 905 | 547 | 728 | 531 |
| | 8,691 | 8,586 | 23,865 | 18,100 | 103,665 | 73,298 |
| No. of persons | 1 | 1 | 1 | 1 | 8 | 8 |

39.1 Meeting fees of Rs.980 thousand (2018: Rs.740 thousand) were also paid to six (2018: seven) non-working directors during the year.

39.2 Chief executive, one (2018: one) working director and all the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

39.3 Also refer contents of note 22.4.

40. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

40.1 The Company's shareholders vide a special resolution dated March 30, 2017 have enhanced the previous approved limit of Rs.5.000 million to Rs.12.500 million on account of transactions among Associated Companies of the Group, which fall under normal trade transactions for sale and purchase of store and spare parts, purchase of raw materials and certain other related transactions not falling within the preview of section 208 of the repealed Companies Ordinance, 1984 (now section 199 of the Companies Act, 2017) or the regulations made thereunder.

40.2 Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.6.425 million (2018: Rs.2.538 million).

40.3 Mark-up on Associated Companies' balances has not been accrued during the current and preceding years as the Company has executed no such transactions attracting mark-up accrual.

40.4 The related parties of the Company comprise of Associated Companies, its directors, key management personnel and employees' provident fund. The Company in the normal course of business carries-out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment. Amounts due to / from them are disclosed in the relevant notes. The transactions with related parties are made at normal market prices.

Material transactions with related parties during the year were as follows:

| Name | Nature of relationship | Nature of transaction | 2019 Rupees in thousand | 2018 |
|--------------------------------------|------------------------|---|----------------------------|--------|
| Babri Cotton Mills Ltd. | Associated Company | Residential rent | | |
| | | - paid | 48 | 0 |
| | | - received | 1,851 | 1,609 |
| | | Utilities / expenses: | | |
| | | - paid | 25 | 60 |
| | | - received | 97 | 90 |
| | | Salaries & benefits recovered | 2,879 | 1,549 |
| Bannu Woollen Mills Ltd. | -do- | Utilities / expenses received | 97 | 90 |
| | | Salaries & benefits | | |
| | | - paid | 410 | 0 |
| | | - recovered | 2,147 | 1,549 |
| | | Dividend received | 1,829 | 3,658 |
| Rahman Cotton Mills Ltd. | -do- | Sale of raw materials | 1,014 | 0 |
| | | Salaries & benefits recovered | 368 | 1,549 |
| Gammon Pakistan Ltd. | -do- | Expenses recovered | 21 | 90 |
| | | Rent paid | 150 | 150 |
| Gandhara Nissan Ltd. | -do- | Salaries & benefits recovered | 1,709 | 1,549 |
| | | Expenses recovered | 97 | 90 |
| Gandhara Industries Ltd. | -do- | Salaries & benefits recovered | 1,709 | 1,549 |
| | | Expenses recovered | 97 | 90 |
| The Universal Insurance Company Ltd. | -do- | Salaries & benefits recovered | 1,709 | 1,549 |
| | | Expenses recovered | 97 | 90 |
| Other related parties | | | | |
| Staff retirement fund | -do- | Contribution to employees' provident fund | 22,979 | 16,010 |

40.5 Also refer contents of notes 22.4 and 39.

41. OPERATING SEGMENT

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

41.1 Yarn sales represent 96.80% (2018: 96.72%) of the total sales of the Company.

41.2 All of the Company's sales relate to customers in Pakistan.

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

41.4 Two (2018: four) of the Company's customers contributed towards 69.43% (2018: 80.74%) of the gross yarn sales during the year aggregating Rs.2.271 billion (2018: Rs.2.172 billion).

42. CAPACITY AND PRODUCTION

| | 2019 | 2018 |
|--|-------------------|------------|
| | ---- Numbers ---- | |
| Spindles installed | 64,704 | 64,704 |
| Rotors installed | 600 | 600 |
| Shifts worked | 1,095 | 1,093 |
| Spindles / rotors shifts worked | 69,453,109 | 68,129,434 |
| | ----KGs.---- | |
| Installed capacity at 20's count on the basis of shifts worked | 28,677,975 | 27,337,536 |
| Actual production of yarn of all counts | 5,938,426 | 6,002,523 |
| Actual production converted into 20's count | 27,860,556 | 26,512,239 |

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

| | | |
|---|---------------------|--------------|
| 43. NUMBER OF EMPLOYEES | 2019 | 2018 |
| Number of employees as at June 30, | ----- Numbers ----- | |
| - permanent | 1,149 | 1,053 |
| - contractual | 0 | 4 |
| | <u>1,149</u> | <u>1,057</u> |
| Average number of employees during the year | | |
| - permanent | 1,114 | 1,014 |
| - contractual | 0 | 4 |
| | <u>1,114</u> | <u>1,018</u> |

44. PROVIDENT FUND RELATING DISCLOSURES

The Company, during the preceding year, has introduced funded contributory employees' provident fund scheme for all its permanent and eligible employees. The following information is based on the audited financial statements of the provident fund:

| | | |
|---|--------------------|---------------|
| | 2019 | 2018 |
| | Rupees in thousand | |
| Size of the fund - total assets | <u>39,799</u> | <u>17,888</u> |
| Cost of investments made in Regular Income Certificates | <u>37,400</u> | <u>16,000</u> |
| Fair value of investments made | <u>39,422</u> | <u>16,000</u> |
| | ----- % ----- | |
| Percentage of investments made | <u>93.97</u> | <u>89.45</u> |

44.1 Investments out of the provident fund have been made in accordance with the requirements of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

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

| | <u>Short term</u> <u>finances</u> | <u>Accrued</u> <u>mark-up</u> | <u>Total</u> |
|-----------------------------------|--------------------------------------|----------------------------------|----------------|
| | ----- Rupees in thousand ----- | | |
| Balance as at June 30, 2017 | 821,017 | 15,499 | 836,516 |
| Changes from financing activities | | | |
| Short term finances | | | |
| obtained net of repayments | 321,353 | 0 | 321,353 |
| Finance cost paid | 0 | (68,190) | (68,190) |
| | 321,353 | (68,190) | 253,163 |
| Other changes | | | |
| Mark-up expense for the year | 0 | 72,509 | 72,509 |
| Balance as at June 30, 2018 | 1,142,370 | 19,818 | 1,162,188 |
| Changes from financing activities | | | |
| Short term finances | | | |
| obtained net of repayments | (342,503) | 0 | (342,503) |
| Finance cost paid | 0 | (96,724) | (96,724) |
| | (342,503) | (96,724) | (439,227) |
| Other changes | | | |
| Mark-up expense for the year | 0 | 95,257 | 95,257 |
| Balance as at June 30, 2019 | <u>799,867</u> | <u>18,351</u> | <u>818,218</u> |

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 24 September, 2019 by the board of directors of the Company.

47. FIGURES

Except for reclassification of preceding year's administrative expenses aggregating Rs.31.010 million to cost of sales for better presentation and restatement detailed in note 5, corresponding figures have neither been re-arranged nor re-classified.



**Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive**



**Brig. (Retd) Abdul Samad Khan
Director**



**Amin-ur-Rasheed
Chief Financial Officer**

JANANA DE MALUCHO TEXTILE MILLS LTD.

FORM OF PROXY

I/We _____
of _____ being in the district of _____ being a
member of Janana De Malucho Textile Mills Limited and holder of _____
_____ Ordinary Shares as per the Share Register Folio No. ____
_____ and/or CD C Participant I.D. No. _____ and Sub-
Account No. _____ hereby appoint _____ of
_____ or failing him/her _____ as my/our
proxy to vote for me/us and on my/our behalf at the 59th Annual General Meeting of
the Company to be held at Registered Office, Habibabad, Kohat on 24 October, 2019 at
11:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _____ day of _____ 2019.

Signed by the said member in the presence of _____

2. As witness my hand this _____ day of _____ 2019.

Signed by the said member in the presence of _____

| |
|--|
| Please affix five rupees revenue stamp |
|--|

Signatures of member

Please fill in the applicable columns:

| For Physical shares | For CDC Account Holders | | Shares Held |
|---------------------|--------------------------|-----------------|-------------|
| Folio No. | CDC Participant I.D. No. | Sub Account No. | |
| | | | |

Note:

A member entitle to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy needs not to be a member of Company. If a member is unable to attend the meeting, he may complete and sign this form and send it the Company Secretary, Janana De Malucho Textile Mills Limited, Habibabad, Kohat so as to reach not less than 48 hours before the time appointed for holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:

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

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC No. Shall be stated on the forms.
2. Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3. The proxy shall produce his original CNIC or original passport at the time of the meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with attested specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



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