



*Nina*

# **Annual Report 2019**

*Nina*  
INDUSTRIES LIMITED





## CONTENTS

MISSION STATEMENT.....	1
COMPANY INFORMATION.....	2
NOTICE OF ANNUAL GENERAL MEETING.....	3
DIRECTORS' REPORT TO THE SHAREHOLDERS.....	5
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE.....	9
KEY OPERATING AND FINANCIAL DATE – SIX YEARS.....	11
REVIEW REPORT.....	12
AUDITORS' REPORT TO THE MEMBERS.....	14
BALANCE SHEET.....	19
PROFIT & LOSS ACCOUNT.....	20
STATEMENT OF COMPREHENSIVE INCOME.....	21
STATEMENT OF CHANGE IN EQUITY.....	22
STATEMENT OF CASH FLOW.....	23
NOTES TO THE FINANCIAL STATEMENTS.....	24
PATTERN OF SHAREHOLDING.....	53
FORM OF PROXY.....	55



## Mission Statement

Our mission is commercial success with social and environmental responsibility and to be a responsible corporate citizen of the world.



## COMPANY INFORMATION

### BOARD OF DIRECTORS

MR. UROOJ SAEED	CHIEF EXECUTIVE
MR. WAQAR A. SATTAR	CHAIRMAN
MR. KASHIF SAEED SATTAR	DIRECTOR
MR. MOHAMMAD AMJAD KHAN	DIRECTOR
SYED M. TAUQEER HASHMI	DIRECTOR
MR. ABID MEHMOOD	DIRECTOR
MR. ABU AHMED	DIRECTOR (Nominee of State Life Insurance Corporation)

### CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

MR. FAYYAZ KARIM

### AUDIT COMMITTEE

MR. KASHIF SAEED SATTAR	CHAIRMAN
MR. MOHAMMAD AMJAD KHAN	MEMBER
MR. ABID MEHMOOD	MEMBER

### AUDITORS

MUNIFF ZIAUDDIN & CO  
CHARTERED ACCOUNTANTS

### BANKERS

Askari Bank Ltd.  
Bank Al-Habib Ltd.  
Bank of Punjab  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd.  
Silk Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.

### LEGAL ADVISOR

Mr. Rajender K. Chhabria  
F-66/3, Park Lane,  
Block-5, Clifton,  
Karachi-75600.  
Tel : 021-35873221

### REGISTERED OFFICE

SF Unit 89,  
S.I.T.E.,  
Karachi.

### SHARES OFFICE

F.D. Registrar Services (SMC-Pvt) Ltd.  
Office # 1705, 17th Floor, Saima Trade Tower-A,  
I.I. Chundrigar Road,  
Karachi-74000.  
Tel : 92-21-32271905-6



NINA INDUSTRIES LIMITED  
SF UNIT 89, S.I.T.E., KARACHI.

### Notice of Annual General Meeting

Notice is hereby given that 26th Annual General Meeting of the Shareholders of M/s Nina Industries Limited will be held on Monday, February 24, 2025 at 03:30 p.m. at Binoria Restaurant (Hall), Textile Avenue, S.I.T.E., Karachi to transact the following business;

1. To confirm the minutes of 26th Annual General Meeting held on October 30, 2023.
2. To receive, consider and adopt the Audited Accounts of the Company, for the year ended June 30, 2019 together with the Directors' and Auditors' report thereon.
3. To appoint the Auditors for the year 2020 and fix their remuneration. The present auditors M/s. Muniff Ziauddin & Co, Chartered Accountants have offered themselves for re-appointment as Auditors of the Company.
4. To transact any other business with the permission of the Chair.

By Order of the Board  
(Asif Wahab)  
Company Secretary

Karachi;  
January 29, 2025

### Notes

1. The Share Transfer Books of the Company will remain closed from 19/02/2025 to 24/02/2025 (both days inclusive) for the purpose of the Annual General Meeting.
  2. A member entitled to attend the Annual General Meeting may appoint another member as his/her proxy to attend the meeting instead of him/her. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company. Proxies in order to be effective must reach at the Registered office of the Company not less than 48 hours before the time of the meeting.
  3. Members are requested to notify any change in their addresses immediately.
- A. For Attending the Meeting;
- i) In case of individuals, the account holder or sub-account holder and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or Original passport at the time of attending the meeting.
  - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- B. For Appointing Proxies
- i) In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.



- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or passport of the
- iii) beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original CNIC or original passport at the time of the meeting. In case of
- iv) corporate entity, the Board of Directors resolution/power of attorney with specimen
- v) signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



### DIRECTOR S' REPORT

The Board of directors of your Company is pleased to present the 27th Annual Report together with the Audited Financial Statements of the Company for the year ended June 30, 2019 and Auditors report thereon.

#### Financial Results

The summarized financial results are as under:

	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
Sales and services -net	359,106,960	332,696,759
Gross Profit/(Loss)	(31,051,170)	(97,467,077)
Operating Profit/(Loss)	(75,290,249)	(232,551,374)
Profit/(Loss) before taxation	(59,645,197)	(322,292,124)
Profit/(Loss) after taxation	(64,078,277)	(326,450,833)
(Loss)/ Earning per share	(2.65)	(13.49)

During the year under review the company registered Sales and services (net) Rs.359.106 million viz Rs. 332.696 million for the corresponding year. Which shows 7.93% increase in sales whereas gross loss has decreased by 68.14% which could be less, had the conditions for the textile industry particularly home textile segment been conducive for minimizing the gross loss. The export operations of the company remained suspended due to non availability of funds and its production activity limited to processing for indirect exports, which were also undergoing through extremely distressed situation in its history. The root cause for underutilization of the Capacity had been non-availability of working capital facilities, as 236 million was stuck under the insurance claim and the company had filed a suit in the insurance tribunal for recovery of the working capital, since 2009 its facilities were blocked by the banks/financial institutions unilaterally and consequently the Company could not procure raw materials efficiently to run its production effectively.

Moreover, the Banks/financial institutions had filed recovery suits being contested by the Company in the High Court of Sindh, the plaintiff praying for decree with attachment and sales of assets mortgaged and first pari passu charged created thereon in favor of the said banks/financial institutions/plaintiffs. Later on, the Company and its specific creditors submitted Scheme of Arrangement in the High of Sindh, envisage for settlement of its short term and long term liabilities of secured creditors, and praying for its approval/sanction by honorable Courts rather than issue a decree in favor of plaintiffs.

The Sindh High Court in its Order dated 25th of October 2021 approved/sanctioned the Scheme of Arrangement dated 3pt December,2016, JCM # 49 of 2016, whereby the Charged Assets are required to be sold as per order of the Court and the sale proceeds generated from the said sale to be utilized to settle the outstanding liabilities of the Company towards its secured creditors (more specifically detailed in the



Scheme of Arrangement). Incompliance with the Order of Sindh High Court dated 25<sup>th</sup> of October 2021, the Company and its secured creditors in pursuance of the Order in JCM # 49 of 2016, has settled subsequently.

#### **Auditors qualification**

The Auditors of the Company have expressed adverse opinion on the financial statements of the Company due to the significance of the matters i.e. accumulated loss, overdue financial liabilities, insurance claim receivable, trade debts outstanding, Slow moving or obsolete spares parts. In this respect, we clarify as under:

#### **Accumulated losses**

The Company incurred a loss of Rs. 64.078 million during the year due to low production, decrease in Sales, increase in gas rate couple with low pressure, water charges, and depreciation. The management is of the view that once the export activities are resumed, the Company will turn into profit shortly.

#### **Overdue financial institutions liability**

The Financial Statement for the year under review wherein liabilities of financial institutions / banks appearing were taken from the statement of account, credit or debit advices etc, provided by the respective banks and financial institutions. In the suits filed by the banks/financial institutions, the Company disputed such figures in its leave to defend applications. Subsequently, the Scheme of Arrangement dated 31<sup>st</sup> December 2016 has been sanctioned by the High Court of Sindh, Karachi vide order dated 25<sup>th</sup> October 2021, passed in JCM of 2016. In pursuance to the Order of Honorable Courts all the liabilities of banks or financial institutions has been settled subsequently. The auditors show their reservation only that they have not received the confirmation directly from the Banks to them as per their normal audit procedure.

#### **Insurance claim**

Despite the fact the Company's assets were fully insured with the EFU General Insurance Company Limited but the Insurance Company did not settle the claims till to date. Consequently the Company filed a Suit in the Insurance Tribunal against EFU for recovery of insurance claim with liquidated damages It is very unfortunate that almost sixteen years been from the date of fire incident the claim was not settled and has yet to be adjudicated by the Court/Tribunal. In addition the Company had also obtained approval from SECP, Security Exchange Commission of Pakistan under Section 162 of the Insurance ordinance 2000, for filing suits against EFU General Insurance Company Limited, furthermore, the management has acquired the services of a Consultant to expedite the case.

The Company submitted its application of Research and Development support through its banks wherefrom the exports had been originated, procedurally exporters restricted to approach SBP in this matter and the Company's bankers are reluctant to apprise regarding amount received from SBP by them. Subsequent to the Order of the Court in the matter of JCM # 49 of 2016 aforesaid amounts shall be settled with the banks/financial institutions.

#### **Trade debts / credits outstanding**

The Company circulated balance confirmation to its debtors and creditors at their known address, meanwhile, follow ups for its recovery are in the top priority. Whereas the Company is very consciously contemplating for long outstanding



creditors/other payables reversal to income within the ambits of limitation Act in order to avoid litigation with them.

#### **Spare parts of plant and machinery**

Since these parts are essential to the operation of production in a manufacturing plant so the Company needs to hold these critical spare parts which enabling the production process run effectively and valued at net realized value.

#### **Going concern**

Since the factory has been functioning, at the moment only local processing to exporters are being done, the plant and machinery is being maintained to keep it in operating conditions. Due to its wet processing nature, the idle plant and machines will have to scrape forever. The Company is preferred by the Exporters and top domestic brands for processing and printing of their fabrics. The recovery suits filed by the banks / financial institutions as disclosed in the related note. The figures appearing therein are taken by the company from the banks statement of accounts, credit advice etc., provided by banks and financial institutions. In the recovery suits filed by the banks / financial institutions, the Company has disputed such figures in its leave to defend applications. Afterward, the Company had initiated negotiation with its secured creditors for settlement of its liabilities with banks / financial institutions. In this regard a Scheme of Arrangement dated 31<sup>st</sup> December 2016 with the consent of its secured creditors submitted in the High Court of Sindh Karachi, the Honorable Court has approved vide order dated 25<sup>th</sup> October 2021, passed in JCM #49 of 2016, whereby, all the litigations against the Company filed by the Banks / Financial Institution has already been withdrawn as per order of the Court.

#### **Future Outlook**

Post compliance in pursuant to JCM # 49 of 2016, the nil liabilities of its banks/financial Institutions, the Company contemplating to recommence its operation in accordance with the company's objective expressed in its Memorandum and Articles of Association and hope that after settlement of Insurance Claim with EFU will recommence its operations as per objective of the company

#### **Pattern of Shareholdin**

The Pattern of Shareholding is enclosed to the financial statements.

#### **Auditors**

The present auditors M/s. Muniff Ziauddin & Com, Chartered Accountants retire and being eligible, offer themselves for re-appointment under the Companies Act.2017

#### **Code of Cor orate Governance**

The directors declare that:

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 2017. These 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.
- Proper books of accounts have been maintained.



- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to recommence its operations as per objective of the company.
- There has been no material departure from the best practice of Corporate governance, as detailed in the listing regulations.

**Key operating and financial data - Six years**

The statement of key operating and financial data for six years is attached.

**Meeting of the Board Directors**

During the year four meetings of the Board of Directors were held, the requisite details are as under:

<b>Name of Directors</b>	<b>No. of Meetings Attended</b>
Mr. Waqar A. Sattar	02
Mr. Urooj Saeed	02
Mr. Kashif Saeed	02
Mr. Touqeer Hashmi	02
Mr. Abid Mehmood	02
Mr. Abu Ahmed	01
Mr. Muhammad Amjad Khan	02

The Directors of your Company offer their sincere gratitude to the valued customers for their continued support. In addition, the Board would like to thank executives, staff work and dedication.

Karachi:  
Date: September 02, 2024

\_\_\_\_\_  
(Urooj Saeed)  
Chief Executive



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

Nina Industries Limited

For the year ended June 30, 2019

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

1. The total number of directors are 7 as per the following:

- a. Male: 07
- b. Female: 0

2. The Composition of Board is as follows:

Category	Names
Executive Directors	Urooj Saeed
Non-Executive Directors	Waqar A. Sattar
	Kashif Saeed Sattar
	Tauqeer Hashmi
	Muhammad Amjad Khan
	Abid Mehmood
Independent Director	Abu Ahmed

- 3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
- 4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
- 8. The Board of Directors has forgo their remuneration due to the financial constrain of the Company however they have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. No Director's Training program were held during the year.
- 10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.



11. CFO and CEO duly endorsed the financial statements before approval of the Board.

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

Audit Committee

Kashif Saeed Sattar	Chairman
Abid Mehmood	Member
Muhammad Amjad Khan	Member

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee	2 quarterly meetings
--------------------	----------------------

15. The board is in the process of setting up an effective internal audit function, as the operations of the company are being revived.

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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all 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.

---

(Waqar A. Sattar)  
Chairman

Karachi: 2nd September, 2024



KEY OPERATING AND FINANCIAL DATA -SIX YEARS

PARTICULARS	Jun-19 Rs.	Jun-18 Rs.	Jun-17 Rs.	Jun-16 Rs.	Jun-15 Rs.	Jun-14 Rs.
SALES & SERVICES -NET	359,106,960	332,696,759	382,388,500	269,911,191	408,392,552	439,195,255
COST OF SALES	390,158,130	430,163,836	452,378,687	398,059,575	506,817,535	561,469,170
GROSS PROFIT/(LOSS)	(31,051,170)	(97,467,077)	(69,990,187)	(128,148,384)	(98,424,983)	(122,273,915)
OPERATING EXPENSES						
GENERAL & ADMINISTRATIVE	44,239,079	226,084,297	28,134,273	14,103,004	49,566,314	14,301,188
SELLING & DISTRIBUTION		-	349,892	-	378,605	26,588
FINANCIAL CHARGES	60,390	699,672	988	4,567	11,936	9,852
OTHER CHARGES	(15,705,442)	(1,958,922)		-	(74,867,427)	
OTHER INCOME	28,594,027	224,825,047	28,485,153	14,107,571	(24,910,572)	14,337,628
TOTAL OPERATING EXPENSES	(59,645,197)	(322,292,124)	(98,475,340)	(142,255,955)	(73,514,411)	(136,611,543)
(LOSS)/ PROFIT BEFORE TAXATION						
PRIOR YEAR	(4,433,080)	(4,158,709)	(3,823,885)	8,511,255	(1,379,003)	(2,170,348)
PROVION FOR TAXATION	(64,078,277)	(326,450,833)	(102,299,225)	(133,744,700)	(74,893,414)	(138,781,891)
(LOSS)/ PROFIT AFTER TAXATION	(2,603,715,553)	(2,333,991,350)	(2,293,920,615)	(2,229,159,423)	(2,230,333,880)	(2,175,385,901)
UNAPPROPRIATED PROFIT/ (LOSS) B/F						
TRANSFER FROM SURPLUS OF						
REVALUATION OF FIXED ASSETS	50,527,036	5 5,892,415	61,841,580	68,438,928	76,067,871	83,833,912
ACTUARIAL GAIN ON DEFINED BENEFIT	-	834,215	386,910	544,580	-	-
OBLIGATION-NET OF TAX						
UNAPPROPRIATED PROFIT C/F TO B/S	(2,617,266,794)	(2,603,715,553)	(2,333,991,350)	(2,293,920,615)	(2,229,159,423)	(2,230,333,880)



**MUNIFF ZIAUDDIN & CO.**  
Chartered Accountants

Business Executive Centre  
F/17/3, Block 8, Clifton  
Karachi – 75600 – Pakistan  
Tel: +92-21-35375127-8,  
+92-21-35872283  
E-mail: [info@mzco.com.pk](mailto:info@mzco.com.pk)  
Web: [bkrpakistan.com](http://bkrpakistan.com)

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE  
CONTAINED IN LISTED COMPANIES (CODE  
OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

**Independent Auditor's Review Report**

**To the members of Nina Industries Limited**

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 **Nina Industries Limited** 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.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

1. Referring to point 14 of the Statement of Compliance; we were not provided with any information in support of the Company's assertion that the meetings of Audit Committee were held in the financial year. The Regulation 28 of the Regulations states that the Audit Committee of a listed company shall meet at least once every quarter of the financial year.
2. The Company has not prepared, published and circulated quarterly and half yearly financial information for the periods ended during the year 2019 along with director report as required under Regulation 35 of the Regulations.
3. Referring to point 5 of the Statement of Compliance; a complete record of particulars of significant policies along with the dates on which they were approved or amended has not been maintained.

Based on our review, except for the above instance of non-compliance, 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 Regulations as applicable to the Company for the year ended June 30, 2019.



Independent

Other Offices:



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

S. No.	Paragraph Reference	Description
1	12	The Company has not complied with the requirement of Regulation 28 of the Regulations which require that there should be at least one independent director in the Audit Committee and the chairman of the audit committee shall be an independent director, who shall not be the chairman of the board.
2	12	The board has not formed an HR and Remuneration Committee.
3	15	The board is in the process of setting up an effective internal audit function, as the operations of the company are being revived.

M,

KARACHI:

02 SEP 2024

*Muniff Ziauddin*  
MUNIFF ZIAUDDIN & CO.  
CHARTERED ACCOUNTANTS  
(Sohail Saleem)



**MUNIFF ZIAUDDIN & CO.**  
Chartered Accountants

**Business Executive Centre**  
F/17/3, Block 8, Clifton  
Karachi – 75600 – Pakistan  
Tel: +92-21-35375127-8,  
+92-21-35872283  
E-mail: [info@mzco.com.pk](mailto:info@mzco.com.pk)  
Web: [bkrpakistan.com](http://bkrpakistan.com)

**Independent Auditors' Report  
To the Members of Nina Industries Limited**

**Report on the Audit of Financial Statements**

**Adverse Opinion**

We have audited the annexed financial statements of **Nina Industries Limited** (the Company), which comprise the statement of financial position as at **30 June 2019**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that except for the matters as stated in paragraphs (4,5,9 and 10) as stated in the Basis of Adverse Opinion paragraph below, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the company as at June 30, 2019, and financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Adverse Opinion**

1. As disclosed in note 1.1 to the financial statements gross loss incurred by the company amounts to Rs.31.051 million (2018: Rs 97.467 million), and loss after tax amounting to Rs.64.078 million (2018: Rs. 326.450 million). Furthermore, its accumulated loss stood at Rs. 2.617 billion (2018: Rs. 2.603 billion) and resultant negative equity aggregates to Rs.1.809 billion (2018: Rs 1.745 billion) with current liabilities exceeding its current assets by Rs. 2.485 billion (2018: Rs. 2.491 billion) as at reporting date. The Company continues to incur gross loss consequent to operating below its full capacity level since long, and its operations remained limited to processing and stitching fabric for local customers and indirect exporters. Besides, the Company has made no arrangement to inject further equity. These conditions indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of its business.
2. As disclosed in note 24 and 25 to the financial statements, there are long overdue liabilities against long term loans, lease payments and short-term financing, amounting to Rs. 2.159 billion (2018: Rs.2.154 billion). There are recovery suits being contested by the Company in the High Court of Sindh (as mentioned in detail in note 24 and 25) instituted against it by the financial institutions in the year 2009 for recovery of a sum amounting to Rs. 2.890 billion in aggregate, praying for decree with attachment and sale of assets mortgaged / leased with the said financial institutions. The Scheme of Arrangement dated 31st December, 2016 has been sanctioned by the Hon'ble High Court of Sindh at Karachi vide order dated 25 October, 2021, passed in JCM petition # 49 of 2016, whereby the Charged Assets are required to be sold and the sale proceeds generated from the said sale are to be utilized to settle the outstanding liabilities of the Company towards its Creditors (creditors as more specifically detailed in the Scheme of Arrangement). These has been settled with banks subsequently as disclosed in note 1.1 of the financial statements.
3. The Company recorded an amount of Rs. 236.441 million in the year 2008 on account of claim receivable from an insurance company against its stock in trade destroyed by fire. The claim is still pending due to dispute with respect to the amount claimed (refer note 12.2). The Company resorted to file a suit against the insurance company with the Insurance Tribunal in the year 2011. The ultimate outcome of the suit and timing and amount



Independent

**Other Offices:**



that is likely to be received (if any) cannot presently be ascertained. In addition, there had been no recovery of exports rebates and research and development support balances amounting to Rs. 63.043 million in aggregate (refer note 12). The Company has not made any provision against these unsecured overdue balances. Had the provision been made the loss for the year would have been higher by Rs. 63.043 million and the receivable balance lower by the same amount.

4. As disclosed in note 9, included in Stores and Spares is Plant and machinery spare parts amounting to Rs. 15.576 million. Since plant and machinery is not being utilized at its full capacity owing to the limited sales, there is a very limited consumption of these store items in the last many years. The same is required to be written down to their net realizable value as laid down in the company's accounting policy disclosed in note 5.3. The effect, if any, of the above could not be ascertained as the same is yet to be quantified by the Company. In addition, stores amounting to Rs. 61.116 million (refer note 9) the valuation is made on lower of cost and net realisable value, such valuation is done by the company on its own and bases of such is not certain.
5. The stock in trade the valuation is made on lower of cost and net realisable value such valuation is done by the company without involvement of independent valuers and bases of such is not certain.
6. The Company had defaulted by not complying with the requirements applicable on the listed company for preparing and getting reviewed half-yearly interim financial statements, as well as publishing quarterly financial statements for the last few years.
7. As mentioned in note 16.1 to the financial statements the management has not revalued the fixed assets of the Company for a prolonged period of time. The same should be revalued at frequent interval of time to reflect the prevailing market values of the fixed assets.
8. We have not received direct bank confirmation from the banks and financial institution for long term loan to Rs. 1.100 billion (2018: 1.100 billion), Short term financing to Rs. 1.059 billion (2018: 1.053 billion) and for bank balances of Rs. 0.542 million (2018: 0.567 million) as these were under litigation. Moreover, these have been settled with banks subsequently as disclosed in note 1.1 of the financial statements.
9. We have not received direct confirmations from local trade debtors amounting to Rs. 121.129 million (2018: 220.057 million) and trade creditors amounting to Rs. 91.365 million (2018: 214.985 million) respectively. Furthermore, based on our verification we are of the view that the Company has not provided sufficient provision on trade debtors balances. Furthermore, based on our procedures we are of the view that the long outstanding trade creditors and other payables should be reversed as income.
10. The staff gratuity as mentioned in the note 20 of the financial statements the amount of gratuity is not based on any actuarial report. Further, the management has not carried out gratuity valuation since long time.

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 adverse opinion.

#### **Key Audit Matters**

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

*m*



In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>1. First time adoption of IFRS 15 – Revenue from Contracts with Customers</b></p> <p>As referred to in note 4.1 to the financial statements, the Company has adopted IFRS 15 with effect from 1 July 2018.</p> <p>Under the aforesaid standard the revenue from sale of goods is recognised when the Company satisfies its performance obligation by transferring the promised goods to customer under the contract with customer. Revenue from sale of goods is measured at transaction price net of pricing allowances, trade discounts, incentive / promotions and rebates offered to customers (collectively 'trade discounts'). As a result of application of the aforesaid standard the management has performed extensive evaluation of its contractual arrangement with its customers.</p> <p>We have considered the first-time application of IFRS 15 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<p>Our audit procedures included the following:</p> <p>Considering the appropriateness of revenue recognition policy, including recognition and classification criteria for trade and other discounts and comparing it with the applicable accounting standards.</p> <p>Testing the effectiveness of Company's controls over the classification of trade and other discounts and correct timing of revenue recognition.</p> <p>Reviewing a sample of contractual arrangement entered into by the Company with its customers and checked the appropriateness of classification of trade discounts and other discounts.</p> <p>Reviewing the adequacy of disclosure as required under applicable financial reporting framework.</p>
<p><b>2. Contingencies</b></p> <p>The Company is subject to material litigations involving different courts pertaining to Long-term loans, Liabilities against asset subject to finance lease, short term borrowings and other matters, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations. Management have engaged independent legal counsel on these matters.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessment and the related provisions are disclosed in note 26 to the financial statements.</p>	<p>In response to this matter, our audit procedures included:</p> <p>Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances.</p> <p>Obtaining independent opinion of legal advisors dealing with such cases in the form confirmations.</p> <p>We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.</p> <p>The disclosures of legal exposures and provisions were assessed for completeness and accuracy.</p>



#### **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 in 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

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

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

#### **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.

*m*



- 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 up to 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 period 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 statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon, except for the effects of the matters as stated in above paragraphs (1) to (10), 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 Sohail Saleem.

Karachi:

02 SEP 2024

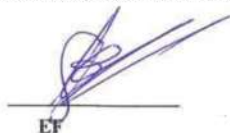
*Muhammad Zaid*  
Chartered Accountants




**Nina Industries Limited**  
**Statement of Financial Position**  
*As at June 30, 2019*

		2019	2018
	Note	Rupees	
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipments	7	816,251,441	887,559,694
Intangible assets	8	1,453,999	1,530,525
Long term deposits		17,215,258	17,115,838
		<u>834,920,698</u>	<u>906,206,057</u>
<b>Current assets</b>			
Stores and spares	9	76,692,410	94,378,617
Stock in trade	10	6,601,351	15,807,111
Trade debts	11	92,439,365	183,319,799
Short term advances, loans, deposits and other receivables	12	369,515,371	360,206,867
Tax refunds due from government	13	26,748,857	23,015,770
Cash and bank balances	14	1,280,115	1,995,562
		<u>573,277,469</u>	<u>678,723,726</u>
<b>TOTAL ASSETS</b>		<u><b>1,408,198,167</b></u>	<u><b>1,584,929,783</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Authorised share capital</b>			
25,000,000 ordinary shares of Rs. 10/- each		<u>250,000,000</u>	<u>250,000,000</u>
<b>Share capital and reserves</b>			
Issued subscribed and paid up capital	15	242,000,000	242,000,000
Revenue reserves		(2,617,266,794)	(2,603,715,553)
<b>Capital reserves</b>			
Surplus on revaluation of property, plant and equipment	16	565,647,085	616,174,121
		(1,809,619,709)	(1,745,541,432)
Directors' Loans	17	150,000,000	150,000,000
<b>Non current liabilities</b>			
Long term financing - secured	18	-	-
Liabilities against assets subject to finance lease	19	-	-
Deferred liabilities	20	9,814,300	9,814,300
		<u>9,814,300</u>	<u>9,814,300</u>
<b>Current liabilities</b>			
Trade and other payables	21	160,291,553	278,582,680
Director's loan	22	2,730,694	2,730,694
Mark up accrued on loans	23	731,163,963	731,163,963
Short term borrowings-secured	24	1,059,019,629	1,053,656,213
Overdue long term liabilities	25	1,100,364,656	1,100,364,656
Provision for taxation		4,433,080	4,158,709
		<u>3,058,003,575</u>	<u>3,170,656,915</u>
Contingencies and commitments	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,408,198,167</b></u>	<u><b>1,584,929,783</b></u>

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

  
 EF

CHI EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



**Nina Industries Limited**  
**Statement of Profit or Loss**  
*For the year ended June 30, 2019*

		2019	2018
	Note	Rupees	
Services - Net	27	359,106,960	332,696,759
Cost of services	28	(390,158,130)	(430,163,836)
Gross loss		(31,051,170)	(97,467,077)
Administrative expenses	29	(44,239,079)	(226,084,297)
Selling and distribution expenses	29	-	-
		(44,239,079)	(226,084,297)
		(75,290,249)	(323,551,374)
Other income	30	15,705,442	1,958,922
Financial costs	31	(60,390)	(699,672)
Loss before taxation		(59,645,197)	(322,292,124)
Taxation	32	(4,433,080)	(4,158,709)
Loss after taxation		(64,078,277)	(326,450,833)
		(Rupees per share)	
Loss per share-Basic and Diluted	33	(2.65)	(13.49)

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

  
 CHIEF EXECUTIVE

  
 CHIEF FINANCIAL OFFICER

  
 DIRECTOR



**Nina Industries Limited**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2019*

	2019	2018
	Rupees	
Loss after taxation	(64,078,277)	(326,450,833)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to statement of profit or loss in subsequent periods</i>	-	-
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods</i>		
- Actuarial gain on defined benefit obligation-net of tax	-	834,215
<b>Total comprehensive loss for the year</b>	<b>(64,078,277)</b>	<b>(325,616,618)</b>

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



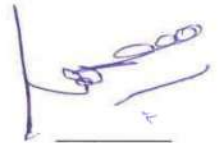
**Nina Industries Limited**  
**Statement of Changes in Equity**  
*For the year ended June 30, 2019*

	Issued, subscribed & paid up capital	Capital reserves Surplus on revaluation of property plant & equipment	Revenue reserves Accumulated loss	Total
	Rupees			
Balance as at June 30, 2017	242,000,000	672,066,536	(2,333,991,350)	(1,419,924,814)
Loss for the year	-	-	(326,450,833)	(326,450,833)
Other comprehensive income	-	-	834,215	834,215
<b>Total comprehensive loss for the year</b>	-	-	(325,616,618)	(325,616,618)
<b>Transfer from revaluation surplus on Property, plant and equipment incremental depreciation for the year</b>	-	(55,892,415)	55,892,415	-
Balance as at June 30, 2018	242,000,000	616,174,121	(2,603,715,553)	(1,745,541,432)
Loss for the year	-	-	(64,078,277)	(64,078,277)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(64,078,277)	(64,078,277)
<b>Transfer from revaluation surplus on Property, plant and equipment incremental depreciation for the year</b>	-	(50,527,036)	50,527,036	-
Balance as at June 30, 2019	242,000,000	565,647,085	(2,617,266,794)	(1,809,619,709)

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

  
**CHIEF EXECUTIVE**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**




**Nina Industries Limited**  
**Statement of Cash Flows**  
*For the year ended June 30, 2019*

	2019	2018
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(59,645,197)	(322,292,124)
<b>Adjustments for non-cash charge and other items:</b>		
- Depreciation	71,308,253	78,795,619
- Amortization charge on intangible assets	76,526	80,554
- Amortization of deferred cost		
- Liability written back	(15,705,442)	(1,958,922)
- Provision for gratuity	-	2,523,814
- Provision for obsolete imported Spare Parts	-	10,486,513
- Provision for short term deposits	-	4,887,012
- Provision for doubtful debts	28,690,342	197,408,047
- Financial charges	60,390	699,672
<i>Net cash used in before working capital changes</i>	24,784,872	(31,328,737)
<b>Changes in working capital</b>		
- Decrease in stores, spare parts and loose tools	17,686,207	31,828,370
- Decrease in stock-in-trade	9,205,760	9,707,467
- (Increase) / Decrease in trade debts	62,190,092	34,593,539
- (Increase) / Decrease in short term advances, loans, deposits and other receivables	(9,407,924)	(10,419,998)
- Increase in sale tax receivable	(2,971,138)	(4,622,669)
- (Decrease) / Increase in trade and other payables	(102,585,685)	(23,673,783)
<i>Net cash generated from working capital changes</i>	(25,882,688)	37,412,926
	(1,097,816)	6,084,189
- Financial charges paid	(60,390)	(699,672)
- Taxes paid	(4,920,658)	(3,370,629)
<i>Net cash (used in) / generated from operating activities</i>	(6,078,864)	2,013,888
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<i>Net cash generated from investing activities</i>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
- Short term borrowings-secured	5,363,416	-
- Sponsors' loan unsecured paid	-	(600,000)
<i>Net cash generated from / (used in) financing activities</i>	5,363,416	(600,000)
Net (decrease) / increase in cash and cash equivalents	(715,448)	1,413,888
Cash and cash equivalents at the beginning of the year	1,995,562	581,674
Cash and cash equivalents at the end of the year	1,280,115	1,995,562

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

  
**CHIEF EXECUTIVE**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**



**Nina Industries Limited**  
**Notes to the financial statements**  
**For the year ended June 30, 2019**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Nina Industries Limited (the Company) was incorporated in Pakistan as a Private Limited Company on 18th February 1992 and subsequently converted into Public Limited Company on 29th October 1997, under the company ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The registered office of the Company is situated at SF Unit No. 89, S.I.T.E., Karachi and the Company is listed on the Pakistan Stock Exchange (Formerly known as Karachi Stock Exchange Limited). The Company operates a textile processing unit and currently performs processing for local customers only carried out by contractor in accordance with the terms of agreement.

Geographical location and addresses of major business units including mills / plants of the Company are as under:

**KARACHI**

**PURPOSE**

A-29/A, S.I.T.E., Karachi

The manufacturing facilities

**1.1 GOING CONCERN ASSUMPTION**

These financial statement reflects the gross loss incurred by the company amounts to Rs.31.051 million (2018: Rs 97.467 million), and loss after tax amounting to Rs.64.078 million (2018: Rs.326.450 million). Furthermore, its accumulated loss stood at Rs. 2.617 billion (2018: Rs.2.603 billion) and resultant negative equity aggregates to Rs.1.518 billion (2018: Rs 1.745 billion) with current liabilities exceeding its current assets by Rs. 2.485 billion (2018: Rs.2.491 billion) as at balance sheet date.

The company has continued its operations limited to processing of fabric for local customers only. Besides there are uncertainties looming as a result of litigations filed by financial institutions and resulting liquidity constraints caused by loss suffered on account of destruction by fire in 2008. There has been a substantial decline in services revenue due to slow down in orders. The other dispute between the company and insurance company against its claim of Rs. 236.441 million (note 12.2) for loss from fire are under the evidence before the commission duly appointed by the Insurance tribunal and yet to be adjudicated.

Under the circumstances, installments due against company's long term liabilities and the entire amount of short term financing (Refer note 24 & 25 respectively) in aggregate amounting to Rs. 2.159 billion (2018: 2.154 billion) continue to be overdue. The company is contesting since the year 2009 various suits collectively filed by all the financial institution as syndicate as well as in individual capacity for the recovery of Rs. 2.677 billion in the High Court of Sindh with prayer for grant of a decree with attachment and sale of mortgage assets i.e. land, building and plant, machinery and equipments and hypothecated assets and of leased machinery, equipment, assets etc of the company and proceedings in these matters are continuing in the Court.

Subsequently The Scheme of Arrangement dated December 31, 2016 has been sanctioned by the Hon'ble High Court of Sindh at Karachi vide order dated 25th October 2021, passed in JCM petition # 49 of 2016, whereby the charged assets are required to be sold and the sale proceeds generated from the said sale are to be utilized to settle the outstanding liabilities of the Company towards its secured creditors (creditors as per scheme of arrangement sanctioned by the Courts). Hence later on Habib Bank Limited, the Agent, made compliance thereof in accordance with the JCM petition # 49 of 2016.

These material uncertainties as disclosed above may cast significant doubt on the entity's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The company has used going concern assumption in preparation of these financial statements.

*12*



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

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

### **3 Basis of measurement**

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

## **4 NEW AND REVISED STANDARDS AND INTERPRETATIONS**

### **4.1 New and amended standards and interpretation to published approved accounting standards that are effective in the current year**

There are certain amendments and an interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 01, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

In addition to the above, the following two new standards have become applicable to Company effective July 01, 2018.

#### **4.1.1 IFRS-15 'Revenue from contracts with customers'**

This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS-15 replaces the previous revenue standards: IAS-18 Revenue, IAS-11 Construction contracts; and the related interpretations on revenue recognition.

#### **4.1.2 IFRS-9 'Financial Instruments'**

This standard replaces the provisions of IAS-39 that relate to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an Expected Credit Losses model that replaces IAS-39 Incurred Loss Impairment model. On July 01, 2018 (the date of initial application of IFRS-9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS-9 categories (i.e. mainly financial assets previously classified as 'loans and receivables' have now been classified as 'amortised cost').

The changes laid down by these standards do not have any significant impact on these Financials Statements of the company. However, related changes to the accounting policies have been made to these statements.

*fn*



#### 4.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards amendments and interpretations are only effective for accounting period, beginning on or after the date mentioned against each of them. These standards interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounts period beginning on or after a date to be determined. Earlier application is permitted
Amendments to IFRS 3 "Business Combinations" - Amendments regarding the definition of business	January 1, 2020
Amendments to IFRS 9 "Financial Instruments" - Amendments regarding prepayment features with negative compensation and modification of financial liabilities	January 1, 2019
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investment on Associates and Joint Ventures" - sales or contribution of assets between investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 "Leases" - This standard will supersede IAS 17 "Lease" upon its effective date	January 1, 2019
Amendments to IAS 28 "Investments in Associates and joint Ventures" - Amendments regarding long term interests in an associate or joint venture that form part of the net investment in associate or joint venture but to which equity method not applied	January 1, 2019
Amendments to IAS 19 "Employee Benefits" - Amendments regarding plan amendments, curtailments or settlements	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments" - clarifies the accounting treatment or relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 "Income Taxes"	January 1, 2019
Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Amendments regarding the definition of material	January 1, 2020
Amendments to references to the Conceptual Framework in IFRS standards	January 1, 2020

Certain annual improvements have also been made to a number of IFRS other than aforesaid standards, interpretations and amendments. The International Accounting Standard Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP)

IFRS 1 - "First Time adoption of International Financial Reporting Standards"  
 IFRS 14 - "Reporting Deferral Accounts"  
 IFRS 17 - "Insurance Contracts"

*m*



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied on the preparation of the financial statements of the Company for the year ended June 30, 2018 except for the change on the policy for revenue recognition and financial assets' recognition and measurement due to adoption of IFRS - 15 and IFRS - 9 respectively. The implication of these standards have insignificant impact on these financial statements of the Company. In addition to this, there are certain other changes on policies which are as described below:

### 5.1 Property, plant and equipment

#### *Owned*

These are stated at revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses (if any), except for furniture & fixture which are stated at cost less accumulated depreciation and impairment loss (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specified assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate assets, as appropriate, only when it is probable that future benefits associated with the items will flow to the Company and the cost of the item can be measured reliably.

Assets carrying amount is written down immediately to its recoverable amount if the carrying amount of an asset exceeds its recoverable amount.

Depreciation is charged to income statement using reducing balance method, to write off the revalued amount of an asset over its estimated useful life, in accordance with the rates specified in the note 4 to these financial statements and after taking into account residual value, if any.

Depreciation on additions is charged from the day on which the assets become available for use while on disposals depreciation is charged upto preceding day on which disposal takes place.

The assets' residual value, useful lives and carrying amount are reviewed at each financial year end. Any changes are adjusted accordingly. The company's estimate of residual value of plant and machinery, electrical equipments and installations as at June 30, 2019 did not require any adjustment as its impact is considered insignificant.

Repairs and maintenance are charged to income statement as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains/losses on disposal of property, plant and equipment are charged to the statement of profit or loss.

#### *Leased*

Assets subject to finance lease are accounted for by recording the assets and corresponding liability. These are stated at lower of the present value of minimum lease payments under the lease agreements and fair value of the assets acquired under lease. Depreciation is charged on the same basis as that for the owned assets.

Financial charges under the lease agreements is allocated over the periods during the lease term, so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

#### *Capital work in progress*

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.



## **5.2 Impairments of non financial assets**

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such asset is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use and impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceed its recoverable amount. Impairment losses, if any, are recognized in the statement of profit or loss.

## **5.3 Stores and spares**

These are valued as under:

In hand - At lower of weighted average cost or NRV.

In transit - Invoice price and related expenses incurred upto the balance sheet date

Provisions for obsolete and slow moving stock are duly made as when required. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

## **5.4 Stock in trade**

Stocks are valued at the lower of cost and net realizable value except for stock in transit which is valued at invoice price and related expenses incurred upto the balance sheet date. Cost includes applicable purchase cost and manufacturing expenses.

Cost is determined as follows:

Raw materials at weighted average cost.

Work in process at weighted average cost of purchases and proportionate manufacturing expenses

Finished goods at weighted average cost of purchases and applicable manufacturing expenses or NRV

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **5.5 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognised at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortised cost using the effective interest method. Impairment of trade debts and other receivables is described in note 5.6.1.

## **5.6 Financial instruments**

### **5.6.1 Financial assets**

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

#### **a) Financial assets at amortised cost**

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



**b) Financial assets at fair value through other comprehensive income**

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

**c) Financial assets at fair value through profit or loss**

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

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

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

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

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

**5.6.2 Financial liabilities**

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

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

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

*m*



**5.7 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle liability simultaneously.

**5.8 Trade and other payables**

Trade and other payable are carried at cost, which is fair value of the consideration to be paid for goods and services.

**5.9 Cash and cash equivalents**

Cash and cash equivalents comprises of cash in hand, balances with banks and they form an integral part of company's cash management and are included as a component of cash equivalents for the purpose of statement of cash flows.

**5.10 Borrowing Costs**

Borrowing cost are recognized in statement of profit or loss in the period in which these are incurred except that borrowing cost that are directly attributable to acquisition, construction or production of qualifying asset are capitalized during the period of time it is completed and prepared for its intended use.

**5.11 Dividend distribution**

Dividend distribution to the company's share holders is recognized as a liability in the period in which dividend is declared/approved.

**5.12 Foreign currency transactions**

Transactions in the foreign currencies are translated into rupees at exchange rate prevailing on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated to exchange rate prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss.

**5.13 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

**5.14 Contingencies**

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**5.15 Revenue recognition**

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

Return on deposits is recognized on a time proportionate basis using the effective rate of return.

*mu*



**5.16 Employee benefits**

**Defined Benefit Plan**

**Gratuity**

The Company operates an unfunded approved defined gratuity scheme for all for its permanent/contractual employees who attain the minimum qualification period for entitlement to gratuity. Actuarial valuation is conducted periodically using "Projected Unit Credit Method" and the latest actuarial valuation carried out on June 30, 2016. Detail of valuation is given in note no. 20.1

**5.17 Deferred Cost**

These represent share floatation expenses, right issue, cost of designs and patterns and cost of export quota which are amortized over the period of five years commencing from the year in which these are incurred.

**5.18 Taxation**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit and loss amount except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

**Current Tax**

Current tax is the amount of tax payable on taxable income for the year, using tax rate enacted or subsequently enacted by the reporting date, and any adjustment to the tax payable in respect of previous year. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as asset.

**Deferred Tax**

Deferred tax is accounted for using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for tax purposes. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting or the taxable profits.

*m*



**5.19 Transactions with Related Parties**

Transactions with related parties are carried out on commercial terms and conditions.

**5.20 Functional and presentation currency**

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

**6 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

In the process of applying the company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

**a) Property, plant and equipment**

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of tangible fixed assets with a corresponding affect on the depreciation charge and impairment.

**b) Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in note 20.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might effect unrecognized gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, future salary increases, mortality rates, withdrawal rates and normal retirement age.

**c) Taxation**

In making the estimates for income taxes payable by the Company, the management considers applicable tax laws and the decisions of appellate authorities on certain cases issued in past. 'Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**d) Stock-in-trade**

The Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in respective carrying value.

*m*

[illegible]

2



		2019	2018
		Rupees	
7.1	Particulars of immovable property (i.e freehold land and leased hold lands) of the company are as follows:		
	S.NO Location Total area		
	-1 A-29/A, S.I.T.E , Karachi 2.7 acre		
7.2	Depreciation for the year has been allocated as under :		
	Cost of sales	68,455,923	75,643,794
	Administrative expenses	2,852,330	3,151,825
		<u>71,308,253</u>	<u>78,795,619</u>
7.3	Had there been no revaluation, the written down value of revalued assets would have been as following:		
	Lease hold Land	31,626,260	31,626,260
	Factory building	54,601,626	57,475,396
	Plant & machinery	160,186,777	177,985,308
	Installations	2,930,307	3,255,897
	Computers	866,740	963,045
	Vehicles	119,712	149,640
		<u>250,331,422</u>	<u>271,455,546</u>
8.	<b>INTANGIBLE ASSETS</b>		
	<b>Opening balances</b>		
	Cost	2,707,860	2,707,860
	Accumulated amortization	(1,177,335)	(1,096,781)
	Net book value	<u>1,530,525</u>	<u>1,611,079</u>
	Amortization charge for the year	(76,526)	(80,554)
	<b>Closing net book value</b>	<u>1,453,999</u>	<u>1,530,525</u>
	<b>Closing Balance</b>		
	Cost	2,707,860	2,707,860
	Accumulated amortization	(1,253,861)	(1,177,335)
	<b>Net book value</b>	<u>1,453,999</u>	<u>1,530,525</u>
	Annual rate of amortization	5%	5%
8.1	Amortization for the year has been allocated to administrative expenses		
9.	<b>STORES AND SPARES</b>		
	Spares	61,116,090	73,777,678
	Stores	15,576,320	31,087,452
		76,692,410	104,865,130
	less: Provision for obsolete imported Spare Parts	-	(10,486,513)
		<u>76,692,410</u>	<u>94,378,617</u>
9.1	This amount include Rs.15.512 million (2018: Rs.25.522 million) pertaining to value of process screens held at reporting date.		
10.	<b>STOCK IN TRADE</b>		
	Dyes and chemicals	6,601,351	15,673,960
	Packing material	-	133,151
		<u>6,601,351</u>	<u>15,807,111</u>

*m*



		2019	2018
		Rupees	
<b>11. TRADE DEBTS</b>			
Export debts - unsecured		-	173,883,123
Local debts - unsecured	11.1	121,129,707	220,057,306
		<u>121,129,707</u>	<u>393,940,429</u>
Considered good		121,129,707	220,057,306
Considered doubtful		-	173,883,123
		<u>121,129,707</u>	<u>393,940,429</u>
Provision for doubtful debts	11.2	(28,690,342)	(210,620,630)
		<u>92,439,365</u>	<u>183,319,799</u>
<b>11.1</b>	The aging of related party at the reporting date is as follows:		
Not past due		-	-
Past due 0-30 days		722,760	1,501,351
Past due 30-120 days		2,891,041	6,005,405
More than 120 days		3,613,802	7,506,757
		<u>7,227,603</u>	<u>15,013,513</u>
<b>11.2</b>	Movement in provision for doubtful debts - local debts		
Balance at beginning of the year		210,620,630	13,212,583
(Write off) / Charge for the year	11.2.1	(181,930,288)	197,408,047
Balance at end of the year		<u>28,690,342</u>	<u>210,620,630</u>
<b>11.2.1</b>	This includes trade debts amounting to Rs. 181.930 million are overdue since long, being made provision thereof.		
<b>12. SHORT TERM LOANS, ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>			
Advance against expenses-considered good		4,109,161	1,628,959
Loan to employees-considered good		54,042	207,467
Short term deposits	12.1	3,663,170	3,663,170
Export rebates		45,423,828	45,423,828
Research and development support		17,619,299	17,619,299
Other receivables	12.2	298,645,871	291,664,144
		<u>369,515,371</u>	<u>360,206,867</u>
<b>12.1.</b>	Short term deposits		
less: Provision for short term deposits	12.1.1	19,737,280	8,550,182
		-	(4,887,012)
		<u>19,737,280</u>	<u>3,663,170</u>
<b>12.1.1</b>	Movement in provision for short term deposits		
Balance at beginning of the year		4,887,012	-
(Write off) / Charge for the year		(4,887,012)	4,887,012
Balance at end of the year		<u>-</u>	<u>4,887,012</u>
<b>12.2</b>	This includes insurance claim receivables amounting to Rs. 236.441 million against stock and other assets destroyed by fire in factory in January 2008.		
<b>13. TAX REFUNDS DUE FROM GOVERNMENT</b>			
Income Tax		17,231,321	16,469,372
Sales Tax		9,517,536	35,387,000
less: provision for sale tax		-	(28,840,602)
		<u>9,517,536</u>	<u>6,546,398</u>
		<u>26,748,857</u>	<u>23,015,770</u>



	2019	2018
	Rupees	
<b>14. CASH AND BANK BALANCES</b>		
Balance with banks - current	1,279,564	1,995,416
Cash in hand	551	146
	<u>1,280,115</u>	<u>1,995,562</u>
<b>15. ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>		
24,200,000 ordinary shares (2018: 24,200,000) of Rs.10/- each fully paid in cash	<u>242,000,000</u>	<u>242,000,000</u>

**Shares held by the related parties of the Company**

Category of the shareholders	2019 Number of shares	2019 Percentage holding	2018 Number of shares	2018 Percentage holding
<b>Associated Companies</b>				
Bela Textiles	3,995,750	16.51%	3,995,750	16.51%
<b>Directors, CEO, &amp; their spouse</b>				
Mr. Waqar Abdul Sattar	5,918,950	24.46%	5,918,950	24.46%
Mr. Urooj Saeed	3,205,890	13.25%	3,205,890	13.25%
Mr. Yasir Waqar	493,350	2.04%	493,350	2.04%
Mr. Kashif Saeed Abdul Sattar	3,165,160	13.08%	3,165,160	13.08%
Mrs. Saeeda Saeed	18,150	0.08%	18,150	0.08%
<b>Public Sector Companies and Corporation</b>				
National Bank of Pakistan	4,947,500	20.44%	4,947,500	20.44%
State Life Insurance Limited	2,000,000	8.26%	2,000,000	8.26%
E.F.U. General Insurance Limited	96,500	0.40%	96,500	0.40%
<b>Individuals</b>				
Holding more than 10%	-	-	-	-
Holding less than 10%	358,750	1.48%	358,750	1.48%
	<u>24,200,000</u>	<u>100.00%</u>	<u>24,200,000</u>	<u>100.00%</u>

**16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

**Surplus on revaluation of fixed assets**

as on July 01

616,174,121

672,066,536

Transfer to unappropriated profit in respect of incremental depreciation charged during the year

(50,527,036)

(55,892,415)

**Surplus on revaluation of fixed assets**

(gross) as at June 30

565,647,085

616,174,121

- 16.1** The financial institutions obtained independent revaluation report of the company's property and assets by Joseph Lobo Associates. According to the revaluation report dated November 30, 2012 the total value of the said property and assets was assessed to be equal to Rs. 1.397 billion; resulting in an increase of Rs 434.013 million in the value of the said property.



		2019	2018
		Rupees	
17.	<b>SUBORDINATED LOAN - DIRECTORS</b>	<b>150,000,000</b>	<b>150,000,000</b>
17.1	These represent interest free loan from directors. These are payable at the discretion of the Company.		
18.	<b>LONG TERM FINANCING - SECURED</b>	<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>Rupees</b>	
	<b>Principal outstanding</b>		
	Syndicated loan (Loan - I)	811,925,551	811,925,551
	Loan - II	41,111,104	41,111,104
	Loan - III	27,581,538	27,581,538
		<b>880,618,193</b>	<b>880,618,193</b>
	<b>Frozen markup outstanding</b>		
	Syndicated loan (Loan - I)	120,164,383	120,164,383
	Loan - II	2,717,808	2,717,808
	Loan - III	2,874,515	2,874,515
		<b>125,756,706</b>	<b>125,756,706</b>
	Installments over due	1,006,374,899	1,006,374,899
	Current portion	(1,006,374,899)	(1,006,374,899)
		<b>-</b>	<b>-</b>
18.1	<b>Syndicated loan (Loan - I)</b>	<b>-</b>	<b>-</b>
	This represents the liability as it stood after it was restructured by the financial institution on December 29, 2006 as per agreement reached between the company and the banks named below:		
	Habib Bank Limited	328,692,562	328,692,562
	Askari Commercial Bank Limited	185,856,357	185,856,357
	Silk Bank Limited	155,833,368	155,833,368
	Saudi Pak Industrial and Agriculture Investment Company Limited	62,155,578	62,155,578
	Standard Chartered Bank Limited	40,803,000	40,803,000
	NIB Bank Limited	38,584,686	38,584,686
		<b>811,925,551</b>	<b>811,925,551</b>

The loan was repayable in twenty eight quarterly installments starting from February 15, 2008 with final repayment by November 15, 2014. The loan carried markup at 3 months KIBOR with spread of 1.5% p.a.

The loan was secured by way of;

- First pari passu charge by way of hypothecation over the hypothecated assets for creating a charge amounting Rs. 1.083 billion in favour of Syndicate in terms of Joint letter of hypothecation.

- Creating mortgage charge amounting Rs. 1.083 billion by deposit of title deed in respect of mortgage property (land, Building and plant and machinery) in terms of joint memorandum confirming deposit of title deeds in favour of syndicate.

- Personal guarantees of the director

On April 08, 2009 all the financial institutions named in the above note of the syndicate led by HBL filed a suit in the High Court of Sindh for the recovery of Rs. 1.098 billion comprising of principal amount of Rs. 811.925 million, Frozen mark up of Rs. 120.338 million (refer 18.4) and accrued mark up due as at February 28, 2009 of Rs. 165.769 million. The Company then filed an application for grant of leave to defend in the High court which was granted and accordingly Commissioner was appointed to record evidence in the suit. Further, evidence of the banks has been recorded while company's witness is under cross examination by Counsel for the banks.



	2019	2018
	Rupees	
<b>18.2 Principal outstanding - Loan II</b>		
The loan was arranged from following banks :		
Orix Investment Bank Limited	20,555,552	20,555,552
Atlas Investment Bank Limited	20,555,552	20,555,552
	<b>41,111,104</b>	<b>41,111,104</b>

The loan was repayable in sixteen quarterly installments starting from June 05, 2007 with final repayment by March 05, 2011. The loan carried markup at 3 months KIBOR with spread of 2.75% p.a.

The loan was secured by way of :

- Creating first pari passu equitable mortgage on its immovable property.
- Creating first pari passu charge by way of hypothecation over all of its present and future fixed and current assets.

The loan-II represents the liability determined in accordance with second rescheduling agreement reached between the Company and aforementioned Banks on dated March 06, 2006. As per said agreement the Company was required to settle the above liability in accordance with terms stated in respective schedule.

During the year ended 2007-2008 Company defaulted in making payment of installment amount in accordance with terms stated in the aforesaid agreement and consequently Orix Investment Bank Ltd and Atlas Investment Bank Ltd filed a suit on May 26, 2009 in the High court of Sindh for the recovery of Rs. 52.909 million in respect of finance extended by the said banks to the Company and prayed for decree with attachment and sale of mortgage assets i.e. land, building and hypothecated plant, machinery and equipments mentioned above in security section. The Company filed an application in the High Court and admitted its liability towards banks amounting to Rs. 38.510 million instead of Rs. 52.909 million and prayed to grant unconditional leave to defend in respect of disputed amount i.e. Rs. 14.399 million on account of Company's point of view that this additional claim for recovery is mark upon mark up which is unlawful. Consequent thereto High Court of Sindh through its order granted interim decree to the extent of Rs. 38.510 million and unconditional leave to defend in respect of undisputed and disputed amount respectively. The decree holder (banks) has filed the aforesaid Execution for the recovery of Rs. 38.510 million for attachment and sale of Hypothecation Assets, future and fixed assets of the company including building, plant, machinery and equipment with all immovable properties of the company and the said execution proceeding for adjudication are continuing.

### 18.3 Principal outstanding - Loan - III

The loan III represents the liability determined in accordance with rescheduling agreement reached between the Company and Pak Libya Holding company (Private) Limited on dated March 05 2007. The loan was repayable in sixteen quarterly installments starting from May 31, 2007 with final repayment by February 28, 2011. The loan carry's markup at 3 months KIBOR with spread of 2.75% p.a.

The loan was secured by way of :

- First pari passu charge by way of hypothecation over the hypothecated assets for creating a charge amounting to Rs. 41.437 million- in favour of Pak Libya in terms of Joint letter of hypothecation.
- Creating mortgage charge amounting to Rs. 41.437 million by deposit of title deed in respect of mortgage property (land, Building and plant and machinery) in terms of joint memorandum confirming deposit of title deeds in favour of Pak Libya Holding Company (Private) Limited..
- Personal guarantees of the director.

As per above said agreement company was required to settle the principle and frozen mark up in accordance with terms stated in respective schedule. Along with rescheduling of above liability the lender simultaneously obtained the decree from the court to execute the security worth Rs. 82.872 million and in the terms of above rescheduling it was agreed by the company that in case of default by the company the lender can execute the decree for the realization of its debts.



During the year ended 2007-2008 company committed default in making payment of installment amount in accordance with terms stated in the aforesaid agreement. Pak Libya has filed an execution application in the Banking Court for the recovery of finance extended amounting to Rs 33.826 million (including Frozen mark up amounting to Rs 2.875 million) which was granted by the Court. However compromise decree issued can not be executed as other financial institutions stated in 18.1 also have joint pari passu charge on aforesaid mortgage property and these claimant also filed the application with the High Court in the year 2009. The same is pending and the ultimate outcome is subject to determination by the court.

**18.4 Frozen markup outstanding - Syndicated loan (Loan - I)**

This represents the mark up owed to syndicate banks stated in 18.1 which was due as on February 28, 2006. The markup has been outstanding from following financial institutions :

	2019	2018
	Rupees	
Habib Bank Limited	58,710,000	58,710,000
Askari Commercial Bank Limited	14,274,963	14,274,963
Silk Bank Limited	17,046,000	17,046,000
Saudi Pak Industrial and Agriculture Investment Company Limited	13,923,000	13,923,000
Standard Chartered Bank Limited	12,405,000	12,405,000
NIB Bank Limited	1,712,602	1,712,602
The Bank of Punjab Limited	2,092,818	2,092,818
	<u>120,164,383</u>	<u>120,164,383</u>

The markup was repayable in sixteen quarterly installments starting from February 15, 2008 with final repayment by November 15, 2011.

The said mark up was frozen by reaching another syndicate agreement on dated December 29, 2006 between the Company and Banks and required to be paid as per above stated terms.

This liability was secured by way of same securities as provided 18.1 above.

**18.5 Frozen markup outstanding - Loan - II**

The markup has been outstanding from following banks :

Orix Investment Bank Limited	1,358,904	1,358,904
Atlas Investment Bank Limited	1,358,904	1,358,904
	<u>2,717,808</u>	<u>2,717,808</u>

The markup was repayable in sixteen quarterly installments starting from June 05, 2007 with final repayment by March 05, 2011.

**18.6 Frozen markup outstanding - Loan - III**

The markup amounting to Rs 2.875 million is outstanding and it was repayable in sixteen quarterly installments starting from May 31, 2008 with final repayment by February 28, 2012.



		2019 Rupees	2018
<b>19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Amount Payable		93,989,757	93,989,757
Over due principal portion		(93,989,757)	(93,989,757)
		<u>-</u>	<u>-</u>
<b>19.1</b>	This represents finance lease liability determined in accordance with rescheduling agreement entered into with First Habib Bank Modaraba (FHBK) and Saudi Pak Industrial and Agriculture Investment Company (SAPICO) for lease of plant & machinery on dated. February 08, 2006 and December 26, 2006 respectively. Mark up rate for modaraba lease is 3 months Kibor + 1.5% where as SAPICO financing was subjected to 3 months Kibor + 2.75%.		
<b>19.2</b>	This includes mark up amounting to Rs. 4.449 million owed to FHBK which was due as on February 08, 2006 The said mark up was frozen in terms of the above mentioned rescheduling agreement.		
<b>19.3</b>	The FHBK and SAPICO proceeded with filing of a suit for the recovery of Rs. 90.380 million and Rs. 39.708 million during the year in the High Court of Sindh and Banking Court respectively and prayed for decree with attachment, possession and sale of all leased and Mortgage property, machinery, equipment, assets etc.		
	In response to suit filed by FHBK, the outcome of the company's application for grant of leave to defend is presently pending subject to final determination by the court which is pending.		
	In response to suit filed by SAPICO, the leave-to-defend application was granted by the court.		
<b>20. DEFERRED LIABILITIES</b>			
Staff gratuity	20.1	<u>9,814,300</u>	<u>9,814,300</u>
<b>20.1 Staff gratuity</b>		<u>9,814,300</u>	<u>9,814,300</u>
	Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out as at June 30, 2016 using the projected unit credit method.		
		2019	2018
<b>20.1.1 Principal assumptions</b>		Percent	
Discount rate		8.5% per annum	8.5% per annum
Expected rate of eligible salary increase in future years		7.25% per annum	7.25% per annum
<b>20.1.2 Reconciliation of the liability recognized in the balance sheet</b>		2019	2018
		Rupees	
Present value of defined benefit obligations		<u>9,814,300</u>	<u>9,814,300</u>
Total balance sheet liability		<u>9,814,300</u>	<u>9,814,300</u>

*~*



	2019	2018
		Rupees
<b>20.1.3 Changes in defined benefit liability are as follows:</b>		
Opening defined benefit obligation	9,814,300	8,124,701
Current service cost	-	1,833,214
Interest cost	-	690,600
Contributions paid	-	-
Benefit paid directly by the company	-	-
Other comprehensive income	-	(834,215)
Closing defined benefit obligation	9,814,300	9,814,300
<b>20.1.4 Charge to profit and loss account</b>		
Current service cost	-	1,833,214
Interest cost	-	690,600
Total amount chargeable to P&L account	-	2,523,814
<b>20.1.5 Remeasurement chargeable in other comprehensive income</b>		
Actuarial (gain)/ loss recognized in other comprehensive income	-	(834,215)
<b>20.1.6 Charge for the year has been allocated as under:</b>		
Cost of sales	-	2,271,433
Administrative expenses	-	252,381
	-	2,523,814
<b>20.1.7 Sensitivity analysis</b>		

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Current liability	9,814,300	9,814,300
Discount Rate + 100 bps	8,980,085	8,980,085
Discount Rate - 100 bps	10,648,516	10,648,516
Salary Increase + 100 bps	10,525,837	10,525,837
Salary Increase -100 bps	9,102,763	9,102,763

**20.1.8 Comparisons for past years:**

As at June 30	2019	2018	2017	2016	2015
Present value of defined benefit obligation	9,814,300	9,814,300	8,124,701	6,123,677	4,615,483
<b>Experience adjustment</b>					
Actuarial loss/(gain) on obligation	-	834,215	386,910	544,580	322,788

**20.2** Deferred tax asset as at balance sheet date amounted to Rs. 90.134 million . On prudent basis, Company has not recognised deferred tax asset as it is not probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

**21. TRADE AND OTHER PAYABLES**

Creditors	21.1	91,365,720	214,985,806
Accrued liabilities		65,003,800	56,609,817
Other liabilities		3,922,033	6,987,057
		160,291,553	278,582,680

**21.1.** This includes amount of Rs. 28.145 million payable to the labour contractor Talwani & Sons. The company has contracted out the processes of procuring material and book orders on behalf of the company, process the same at the company's production facility, and make deliveries and/or market the goods (as the case may be). The contractor in return bills the company for labour charges and processes rendered at the rates specific to each process.



	2019	2018
	Rupees	
<b>22. SPONSOR'S LOAN - UNSECURED</b>		
Opening balance	2,730,694	3,330,694
Paid during the year	-	(600,000)
	<b>2,730,694</b>	<b>2,730,694</b>

22.1 These represent interest free loan which is repayable on demand.

**23. MARK UP ACCRUED ON LOANS**

Long term financing	409,312,111	409,312,111
Short term borrowings	288,065,902	288,065,902
Liabilities against assets subject to finance lease	33,785,950	33,785,950
	<b>731,163,963</b>	<b>731,163,963</b>

23.1 Right after the fire incident had occurred on January 08,2008 at Grey Fabrics and Finished Goods Store, the secured creditors (Banks, Financial institutions) had friezed all accounts maintaining with them and all the facilities of the Company were also suspended by them.

The Insurance Company has also played a delay tactic rather than to settle the Claim Amount of Fire Loss of the Company. After lapsed of almost three year offered an unrealistic amount against the Claims of the Company. The Company left no option other than to File Suit No.16/2011 in the Insurance Tribunal Karachi Sindh for the recovery of Insurance Claim's Amount, which is yet to be adjudicated.

Moreover, the secured creditors filed suits for recovery of loans' amount including markups and prayed for issuance of decree in their favour, but the company's lawyer defended the aforesaid suits also proved before the honorable Judges of High Court that the Amounts recoverable claimed by the Secured Creditors wherein markup on markup cumulated in their claimed recoverable amounts in the aforesaid suits. Due to the recovery of Suits' amount wherein markup on markup were also included, which were also in violation of law, consequently, the High Court of Sindh allowed the leave to defend the aforesaid suits. Thereafter, the Company was advised by its Lawyer not to charge/record in its books markup and also adjust the recorded markup through the disclosure in Statement of Comprehensive Income.

**24. SHORT TERM BORROWINGS-SECURED**

	2019							2018	
Banks	Export Refinancing Facilities			Running finance Facilities	Finance Against Imported Merchand	Finance Against Trust Receipt	Bills Payable Against D/A L/C	Total	Total
	ERF1	ERF2	FAFB						
	Rupees							Rupees	
Bank of Punjab	90,486,000	-	-	(80,138)	-	-	-	90,405,862	90,405,862
Habib Bank Limited	110,628,026	-	-	47,044,748	417,496	16,910,532	3,876,326	178,877,128	178,877,329
Standard Chartered Bank Limited	-	219,200,000	-	23,444,994	-	-	-	242,644,994	242,644,994
Silk Bank Limited	-	-	50,000,000	41,656,775	-	-	33,703,145	125,359,920	125,359,920
NIB Bank Limited	-	29,493,000	-	9,556,015	-	12,870,072	26,356,916	78,276,003	78,276,003
Askari Bank Limited	129,970,000	50,000,000	-	170,988,620	-	-	(10,485,759)	340,472,861	340,471,078
MCB Bank Limited	-	-	-	(1,866)	-	-	-	(1,866)	(1,866)
Bank Al Habib Limited	-	-	-	(21,136)	-	-	-	(21,136)	(20,039)
United Bank Limited	-	-	-	(6,531)	-	-	-	(6,531)	(6,531)
Habib Metropolitan Bank Ltd.	-	-	-	5,363,132	-	-	-	5,363,132	-
Others	-	-	-	(201)	-	-	(2,350,537)	(2,350,738)	(2,350,537)
	331,084,026	298,693,000	50,000,000	297,944,412	417,496	29,780,604	51,180,091	1,059,019,629	1,053,656,213

24.1 This represents short term working capital finances and export refinance facilities availed from various commercial banks under mark up arrangements. The outstanding balance was secured by way of joint pari passu charge on all moveable assets of the Company (i.e. inventories and receivables) amounting to Rs. 2.311 billion. The rates of mark up for running finances and others vary between 3 months KIBOR + 1.5 % to 3 months KIBOR + 4 % . The rate of mark up for Export refinance was SBP rate + 1 % per annum to SBP rate + 1.5 % per annum.

24.2 These short term borrowings availed by the company have been long overdue and therefore on April 08, 2009 the following banks filed suit in syndicates as well as in their individual capacity as per details given as under, the ultimate outcome in each of the following matter is subject to the determination by the court.



Habib Bank Limited has filed a suit in the year 2009 in the High court of Sindh for the recovery of Rs 225.580 million in respect of various short term running finance facilities availed by the company since 2007, and prayed for grant of decree for payment of aforesaid mention sum along with cost of funds at the rate fixed by State Bank of Pakistan from the date of default till realization. Company in response thereto then filed an application to the Court to grant leave to defend on the basis of its point of view that the bank is charging mark upon mark up which is unlawful. The court appointed a Chartered Accountant to calculate the amount disbursed and repaid under the agreement between the parties. The Chartered Accountant's report is disputed by the company. The leave to defend is yet to be finally heard.

Silk Bank Limited (formerly Saudi Pak Commercial Bank Limited) also filed suit in the year 2009 in the High Court of Sindh for the recovery of Rs. 169.703 million in respect of various short term financing facilities extended to the Company since 2006 and prayed for the attachment and sale of mortgage property and hypothecated asset. In response thereto the Company has filed an application in the aforesaid Court and pleaded for granting leave to defend which is yet to be heard in Honorable Court.

Standard Chartered Bank Limited also filed suit in the year 2009 in the High Court of Sindh for the recovery of Rs. 299.502 million in respect of various short term financing facilities extended to the Company since 2006 and prayed for the attachment and sale of mortgage property and hypothecated asset. The leave to defend application was granted to the company by the Court. Both sides lead evidence in the suit and now the case is at the stage of final arguments.

Askari Bank Limited also filed a suit in the year 2009 in the High Court of Sindh for the recovery of Rs. 445.591 million in respect of various short term financing facilities extended to the Company since 2006 and prayed for the attachment and sale of mortgage property and hypothecated asset. The leave to defend application was granted by the Court and a Commissioner was appointed to record evidence in the suit. Evidence in the suit is yet to be recorded.

NIB Bank Limited also filed a suit in the year 2009 in the High Court of Sindh for the recovery of Rs. 102.873 million in respect of various short term financing facilities extended to the Company since 2007 and prayed for the attachment and sale of mortgage property and hypothecated asset. The leave-to-defend application has recently been allowed by the Court and a Commissioner has been appointed to record evidence in the suit. Long term deposits include Rs. 500,000 with NIB Bank Limited, and the company intends to set off this amount with the claim of the bank. Further, the bank's evidence has been concluded while Company's witness is under cross examination by the bank's council.

The Bank of Punjab also filed a suit in the High Court of Sindh in the year 2009 for the recovery of Rs. 109.348 million on account of various short term financing facilities availed by the Company from the bank and prayed for the recovery of the mark up price from sale of the assets mortgaged. In response thereto Company has filed an application for leave to defend which was disposed off and a firm of Chartered Accountant examined the documents and reported that only Rs. 37.572 million is payable by the company. Both parties have disputed such report and have reiterated their earlier positions.

	2019	2018
<b>25. OVERDUE LONG TERM LIABILITIES</b>	<b>Rupees</b>	
Overdue Long term loans	1,006,374,899	1,006,374,899
Overdue Liabilities against assets subject to Finance Lease	93,989,757	93,989,757
	<b>1,100,364,656</b>	<b>1,100,364,656</b>
<b>26. CONTINGENCIES AND COMMITMENTS</b>		
<b>26.1 Contingencies</b>		
<b>26.1.1</b> Silk Bank has filed a suit for the recovery of Rs. 169.703 million in the High Court of Sindh. The leave-to-defend application of Nina industries has yet to be heard.		
<b>26.1.2</b> Askari Bank has filed a suit for the recovery of Rs. 455.591 million in the high court of Sindh. The court granted Nina industries leave to defend the suit. The case is at the stage of evidence.		
<b>26.1.3</b> The contention of the Company raised in court is that figures appearing in note 18.1 to 18.6, 19 and 22.1 to 24 were recorded from the bank statement of account and credit advice provided by the respective banks. In the suits filed by the banks, Company has disputed such figures in its leave to defend applications. Such disputes have yet to be adjudicated by the courts.		
<b>26.1.4</b> M/s SML (Hong Kong) Limited has filed a suit in High Court of Sindh under Order 37 CPC for injunction and recovery of USD 53,328. The suit is pending for hearing.		

*M*



- 26.1.5 M/s BASF Pakistan Limited has filed a suit in High Court of Sindh for injunction and recovery of Rs. 55.757 million. The suit is pending for hearing.
- 26.1.6 M/s Gulshan Weaving Mills Limited has filed a suit in High Court of Sindh for injunction and recovery of Rs. 55.627 million. The suit is pending for hearing.
- 26.1.7 M/s Bhanero Textile Mills Limited has filed a suit at 1st Senior Civil Judge Karachi West for recovery of Rs 6.032 million. The matter is fixed for recording of evidence of the plaintiff.
- 26.1.8 M/s EFU General Insurance Limited has filed a suit in the High Court of Sindh under order 37 CPC for injunction and recovery of Rs. 15.099 million. The said suit is pending for hearing.
- 26.1.9 The company has filed suit against EFU General Insurance Limited before the Insurance Tribunal at Karachi for the recovery of Rs. 3.145 billion. This includes the escalation value of the losses due to fire incident in January 2008 as per original claim as well as damages due to non-payment since then. The receivable recognized in the financial statements in this respect amounts to Rs. 236.441 million.
- 26.1.10 The Company filed a suit against Federation of Pakistan, for Sui Southern Gas Co. Limited related to Gas Infrastructure Development Cess charges. The Company has deferred the recognition of expense against such billing in these financial statements as per the advice of its legal counsel. Since the Company is in captive power sector and GID cess is applicable on industrial sector, this amount cannot be quantified. The case is pending for further adjudication in the High Court of Sindh, Karachi.
- 26.1.11 This is a suit for recovery of Rs. 225,579,578. The Court appointed Haroon Zakaria & Company, Chartered Accountants, to calculate the amount disbursed and repaid under the agreements between the parties. As per the Chartered Accountant's report, a sum of RS. 203,631,313 is payable by NI, which report is disputed by NI. The case is at the stage of hearing of NI's objections to the Chartered Accountant's report and NI's leave -to-defend application.
- 26.1.12 This is a suit for recovery of Rs. 102,873,289 in the high court of Sindh. The Court granted Nina industries leave to defend the suit. Presently , the case is at the stage of evidence.
- 26.1.13 BoP has filed Suit No.B-152/2009 against NI for recovery of Rs. 109,347,845. The leave-to-defend application of NI was disposed off by appointing a Chartered Accountant to examine accounts between the parties and to submit a report. The Chartered Accountant reported that only Rs. 37,572,000 was payable by NI. The Court decreed the suit in favor of BoP to the extent of Rs. 38,788,300. Both parties filed appeals. NI's appeal is HCA No. 336/2015 and BoP's appeal is HCA No. 298/2015. BoP also applied for executing the decree and the executing Court ordered auction of the properties under charge. NI's appeal was disposed off on 15.10.2019 and BoP's appeal is pending and is yet to be heard.
- 26.1.14 This is a suit for recovery of Rs. 299,502,034 in the high court of Sindh. The Court granted NI leave to defend the suit. Evidence in the suit has been recorded. The case is now at the stage of final arguments .
- 26.1.15 This is a petition under section 284 of the Companies Ordinance, 1984, seeking sanction of the Court to a Scheme of Arrangement between NI and its secured creditors whereby claims of the latter are proposed to be settled by selling the charged assets of NI for not less than Rs. 600 million. More than 80 % of the secured creditors have consented to the Scheme. The petition is fixed for orders. In our opinion , NI should prevail.

*m*



- 26.1.16 This is a suit for recovery of Rs. 1,098,032,994 filed by a syndicate of banks led by HBL. The court granted Nina industries leave to defend the suit. Presently, the case is at the stage of evidence.
- 26.1.17 This is a suit for recovery of Rs. 39,708,385 by Saudi Paki Industrial & Agricultural Investment Company ltd. The court granted Nina industries leave to defend the suit. Presently the suit is still pending.
- 26.1.18 M/s Universal Freight has filed a suit in High Court of Sindh for injunction and recovery of Rs. 522,460. The suit is pending for hearing.
- 26.1.19 This is a suit for recovery of finance facility of Rs. 41,656,775 filed by Saudi Pak Industrial Bank. The suit is still pending for hearing.
- 26.1.20 The company has filed a suit in the high court against challenging billing of natural gas by SSGC under the tariff rates of Captive Power instead of industrial unit and against SSGC for tariff rate increases. Both the cases are still pending for hearing.

## 26.2 Commitments

There were no commitments at balance sheet date

		2019	2018
		Rupees	
<b>27. SERVICES - NET</b>			
Processing and stitching services		363,628,834	337,984,406
Commission and brokerage		(4,521,874)	(5,287,647)
		<u>359,106,960</u>	<u>332,696,759</u>
<b>28. COST OF SERVICES</b>			
Dyes and chemicals consumed	28.1	103,405,533	123,729,362
Accessories, packing and production stores	28.2	13,841,959	24,492,706
Packaging material consumed	28.3	1,039,755	3,392,993
Materials consumed		<u>118,287,247</u>	<u>151,615,061</u>
Salaries, wages and benefits	28.4	4,635,864	10,248,302
Fuel, water and power		137,944,811	118,662,926
Mending and packing		36,833,300	44,519,768
Repair and maintenance		23,139,423	28,665,995
Depreciation	7.2	68,532,446	75,643,794
Coolies, cartage, freight and duties		735,039	807,990
Rent, rates and taxes		50,000	-
		<u>390,158,130</u>	<u>430,163,836</u>
<b>28.1 Dyes and chemicals consumed</b>			
Opening stock		15,673,960	22,475,674
Purchased during the year		113,568,013	116,927,648
Closing stock		(6,601,351)	(15,673,960)
		<u>103,405,533</u>	<u>123,729,362</u>
<b>28.2 Accessories, packing and production stores</b>			
Opening stock		-	-
Purchased during the year		14,881,714	24,492,706
Closing stock		-	-
		<u>14,881,714</u>	<u>24,492,706</u>

*m*



		2019	2018
		Rupees	
<b>28.3 Packaging material consumed</b>			
Opening stock		133,151	3,038,904
Purchased during the year		906,604	487,240
Closing stock		-	(133,151)
		<u>1,039,755</u>	<u>3,392,993</u>
<b>28.4</b>	This includes amount of Rs. 750,794 (2018: Rs 2,271,433) in respect of staff retirement benefits.		
<b>29. ADMINISTRATIVE EXPENSES</b>			
Staff salaries and allowances	29.1	8,215,493	5,635,818
Legal and professional		1,431,112	1,961,950
Vehicle repair and maintenance		285,523	270,750
Directors' remuneration	34	-	-
Auditor's remuneration	29.2	500,000	500,000
Entertainment		387,073	743,149
Telephone and telex		165,044	274,696
Stationery and printing		229,358	131,855
Fees and subscription		999,658	291,545
Postage, courier and telegram		3,320	2,605
Conveyance and traveling		67,355	36,050
Depreciation	7.2	2,775,806	3,151,825
Amortization charge	8.1	76,526	80,554
Office expenses		412,469	221,928
Provision for obsolete stock		-	10,486,513
Provision for short term deposits		-	4,887,012
Provision for doubtful debts		28,690,342	197,408,047
		<u>44,239,079</u>	<u>226,084,297</u>
<b>29.1</b>	This includes amount of Rs. 83,422 (2018: Rs 252,381) in respect of staff retirement benefits.		
<b>29.2 Auditor's remuneration</b>			
Audit fee		500,000	500,000
Review fee		-	-
Certifications		-	-
		<u>500,000</u>	<u>500,000</u>
<b>30. OTHER INCOME</b>		2019	2018
Reversal of trade creditor		15,705,442	30,799,524
less: Sale tax refundable		-	(28,840,602)
		<u>15,705,442</u>	<u>1,958,922</u>
<b>31. FINANCIAL COSTS</b>			
Bank charges		60,390	699,672
<b>31.1</b>	The management has not recorded markup for the current year on long term finance and lease obligation, since it expects that the final outcome of its negotiation with the financial institutions in this respect would not result in any obligation to pay markup and the financial statements already contain adequate provision in respect of the amount of claims.		

*m*



		2019	2018
		Rupees	
<b>32. TAXATION</b>			
Current tax		4,433,080	4,158,709
Prior year charge		-	-
Deferred tax	32.1	4,433,080	4,158,709
		<u>4,433,080</u>	<u>4,158,709</u>

**32.1 Deferred tax**

The proportionate deferred tax on the income subject to normal taxation is not recognized due to the reason that the company has substantial amount of carry forward business losses, which results in deferred tax asset amounting to Rs. 90.134 million (2018: Rs. 154.598 million), but it is not recognized as future taxable profits are not expected.

**32.2 Tax charge reconciliation**

The company has gross loss before depreciation therefore minimum tax provision under section 113 of Income Tax Ordinance, 2001 is only applicable.

**32.3 Income tax assessments**

As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provisions as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	Deemed Assessment	Provisions
	Rupees	
Tax year 2018	4,158,709	4,158,709
Tax year 2017	3,823,885	3,823,885
Tax year 2016	-	-

	2019	2018
	Rupees	
<b>33. LOSS PER SHARE-BASIC AND DILUTED</b>		
Loss after tax for the year	(64,078,277)	(326,450,833)
Weighted average number of ordinary shares	24,200,000	24,200,000
Loss per share - basic and diluted	(2.65)	(13.49)

*m*



**34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

	2019			
	Chief Executive	Directors	Executive	Total
	----- Rupees -----			
Managerial Remuneration	-	-	1,252,257	1,252,257
House Rent	-	-	464,515	464,515
Utilities and upkeep	-	-	8,228	8,228
	-	-	1,725,000	1,725,000
Number of Persons	1	2		2

	2018			
	Chief Executive	Directors	Executive	Total
	----- Rupees -----			
Managerial Remuneration	-	-	1,382,257	1,382,257
House Rent	-	-	594,515	594,515
Utilities and upkeep	-	-	93,228	93,228
	-	-	2,070,000	2,070,000
Number of Persons	1	2		2

34.1 In addition one Executive is provided with free use of Company maintained car.

34.2 The Chief Executive and Non-Executive Directors have waived their meeting fee.

34.3 Amount charged in the accounts for Board meeting fee to Executive Director is Rs.20,000 (2018: Rs.20,000)

**35. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of group companies, directors and their close family members, major shareholders of the Company and key management personnel. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment. Remuneration of Chief Executive, directors and executives is disclosed in note 32 to the financial statements. Transactions with related parties and balances outstanding at the year are given below:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	June 30, 2019	June 30, 2018
----- Rupees -----				
<b>Balance as at 30 June, 2018</b>				
Hudson International (Pvt) Ltd	Common Directorship	Due from related company	7,227,603	15,013,513
Directors's Loans	Common Directorship	Due to Directors	152,730,694	152,730,694
<b>Transactions during the year</b>				
Hudson International (Pvt) Ltd	Common Directorship	Textile Processing	53,664,042	40,644,767
Hudson International (Pvt) Ltd	Common Directorship	Amount received	61,449,952	39,534,060
Directors's Loans	Common Directorship	Loan repaid	-	600,000

173



	2019	2018
	Rupees	
<b>36. FINANCIAL INSTRUMENT BY CATEGORY</b>		
<b>FINANCIAL ASSETS</b>		
<b>At amortised cost</b>		
Long term deposits	17,215,258	17,115,838
Trade debts	92,439,365	183,319,799
Short term advances, loans, deposits and others	365,406,210	358,577,908
Cash and bank balances	1,280,115	1,995,562
	<u>476,340,948</u>	<u>561,009,107</u>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	160,291,553	278,582,680
Director's loan	2,730,694	2,730,694
Mark up accrued on loans	731,163,963	731,163,963
Short term borrowings-secured	1,059,019,629	1,053,656,213
Overdue long term liabilities	1,100,364,656	1,100,364,656
	<u>3,053,570,495</u>	<u>3,166,498,206</u>

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company finances its operations through short term borrowing, long term financing and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

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

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 30 June 2019 which are summarized below:

**37.1 Credit risk**

Credit risk represents the risk of loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

The carrying amount of financial assets represents the maximum credit exposure. To manage exposure to credit risk, the Company applies credit limits to their customers. Cash is held only with banks with high quality credit worthiness.

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

*m*



	2019	2018
	Rupees	
Long term deposits	17,215,258	17,115,838
Trade debts	92,439,365	183,319,799
Short term advances, loans, deposits and other receivables	365,406,210	358,577,908
Bank balances	1,279,564	1,995,416
	<b>476,340,397</b>	<b>561,008,961</b>

37.1.1 The maximum exposure to credit risk for trade debts on geographical basis as at the reporting date is as follows:

The aging of trade debts at the reporting date is as follows:

Not past due	-	-
Past due 0-30 days	-	-
Past due 30-120 days	11,092,724	74,360,004
More than 120 days	81,346,641	306,367,842
	<b>92,439,365</b>	<b>380,727,846</b>

Based on past experience, the Company believes that no impairment is necessary against amounts past due by 120 and above days.

37.1.2 Company's banks balances can be assessed with reference to the following credit ratings of the banks assessed by reputable credit agencies as of June 30, 2019:

Bank	Rating agency	Short- term Rating	2019	2018
			Rupees	
Bank Al-Habib Limited	PACRA	A1+	760,317	760,317
Askari Bank Limited	PACRA	A1+	181,266	181,266
Habib Bank Limited	JCR - VIS	A1+	758,432	819,530
The Bank of Punjab	PACRA	A1+	5,491	5,491
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	2,395	2,395
Silk Bank Limited	JCR-VIS	A-2	168,126	168,126
Faysal Bank Limited	PACRA	A1+	552	552
NIB Bank Limited	PACRA	A1+	55,873	55,873
MCB Bank Limited	PACRA	A1+	1,866	1,866
			<b>1,934,318</b>	<b>1,995,416</b>

The balances of financial assets held with related parties other than short term investments are as follows:

Trade debts	7,227,603	15,013,513
	<b>7,227,603</b>	<b>15,013,513</b>

## 37.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

*M*



	2019			
	Carrying amount	Contractual cash flows	12 months or less	2 - 5 years
			Rupees	
<b>Financial Liabilities</b>				
Trade and other payables	160,291,553	160,291,553	160,291,553	-
Director's loan	2,730,694	2,730,694	2,730,694	-
Mark up accrued on loans	731,163,963	731,163,963	731,163,963	-
Short term borrowings-secured	1,059,019,629	1,059,019,629	1,059,019,629	-
Overdue long term liabilities	1,100,364,656	1,100,364,656	1,100,364,656	-
	<b>3,053,570,495</b>	<b>3,053,570,495</b>	<b>3,053,570,495</b>	<b>-</b>

	2018			
	Carrying amount	Contractual cash flows	12 months or less	2 - 5 years
			Rupees	
<b>Financial Liabilities</b>				
Trade and other payables	278,582,680	278,582,680	278,582,680	-
Director's loan	2,730,694	2,730,694	2,730,694	-
Mark up accrued on loans	731,163,963	731,163,963	731,163,963	-
Short term borrowings-secured	1,053,656,213	1,053,656,213	1,053,656,213	-
Overdue long term liabilities	1,100,364,656	1,100,364,656	1,100,364,656	-
	<b>3,166,498,206</b>	<b>3,166,498,206</b>	<b>3,166,498,206</b>	<b>-</b>

### 37.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk and interest rate risk.

#### 37.3.1 Currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to any foreign currency risk.

#### 37.3.2 Yield / mark - up rate exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk and borrowings issued at fixed interest rates gives rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of borrowings at fixed and variable interest rates.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
<b>Financial liabilities</b>	<b>Rupees</b>	
<b>Fixed rate instruments</b>		
Long term finance	-	-
<b>Variable rate instruments</b>		
Liabilities against asset subject to finance lease	127,775,707	127,775,707
Short term borrowings	1,059,019,629	1,053,656,213

#### 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..

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.



	2019	2018
	<u>Rupees</u>	
	<u>Effect on profit and loss</u>	
	<u>100 bp</u>	<u>100 bp</u>
	<u>increase</u>	<u>decrease</u>
	<u>Rupees</u>	
As at 30 June 2019		
Cash flow sensitivity-Variable rate instruments	<u>(10,536,562)</u>	<u>10,536,562</u>
As at 30 June 2018		
Cash flow sensitivity-Variable rate instruments	<u>(10,536,562)</u>	<u>10,536,562</u>

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

### 37.3.3 Fair Value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

- Level 1 : Quoted market price
- Level 2 : Valuation techniques ( market observable); and
- Level 3:: Valuation techniques ( non-market observables)

As of the reporting date, the company does not have any financial asset carried at fair value that required categorization in Level 1 , Level 2 and Level 3.

### 38. PRODUCTION CAPACITY

The production capacity of company's plant cannot precisely be determined as being a processing unit, the capacity varies depending upon the processes involved, coverage requirements, the construction of cloth used composing different types of textures etc.

### 39. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

### 40. NUMBER OF EMPLOYEES

Total number of employees including contractor's employees at the year end were 11 (2018: 126).  
Total number of average employees including contractor's employees at the year end were 48 (2018: 105).

### 41. DATE OF AUTHORIZATION

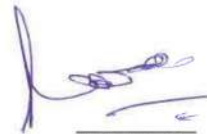
These financial statements were approved and authorized for issue on 02 SEP 2024 by the Board of Directors of the Company.

### 42. GENERAL

Figures have been rounded off to the nearest rupee.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR



PATTERN OF HOLDING OF SHARES HELD  
BY THE MEMBERS OF NINA INDUSTRIES LIMITED  
AS AT 30 JUNE 2019

No. of Shareholders	Share Holdings		Total Shares Held	Percentage of Issued Capital
	From	To		
119	1	100	5,603	0.02%
195	101	500	97,457	0.40%
22	501	1000	17,300	0.07%
25	1001	5000	67,390	0.28%
6	5001	10000	53,500	0.22%
1	10001	15000	12,000	0.05%
2	15001	20000	37,150	0.15%
3	40001	45000	128,000	0.53%
1	95001	100000	96,500	0.40%
1	490001	495000	493,350	2.04%
1	1995001	2000000	2,000,000	8.26%
3	3995001	4000000	10,366,800	42.84%
1	4975001	4990000	4,906,000	20.27%
1	5890001	5955000	5,918,950	24.46%
381			24,200,000	



Categories of Shareholders.	Number	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties			
BELA TEXTILES LIMITED	01	3,995,750	16.51%
<b>Directors, CEO &amp; their Spouse and Children</b>	05		
MR. WAQAR A. SATTAR		5,918,950	24.46%
MR. UROOJ SAEED		3,205,890	13.25%
MR. YASIR WAQAR		493,350	2.04%
MR. KASHIF SAEED SATTAR		3,165,160	13.08%
MRS. SAEEDA SAEED		8,150	0.08%
<b>Public Sector Companies and Corporation</b>			
Banks, Development Finance/Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	03		
NATIONAL BANK OF PAKISTAN		4,947,500	20.44%
STATE LIFE INSURANCE CORPORATION		2,000,000	8.26%
E.F.U. GENERAL INSURANCE LIMITED		6,500	0.40%
<b>Individuals</b>			
Holding more than 10%	-	-	-
Holding less than 10%	372	358,750	1.48%
<b>TOTAL</b>	381	2 4,200,000	100%
<b>Shareholding 10 percent or more voting interest in the Company</b>			
Mr. Waqar A. Sattar		5,918,950	24.46%
Mr. Urooj Saeed		3,205,890	13.25%
Mr. Kashif Saeed Sattar		3,165,160	13.08%
M/s. National Bank of Pakistan		4,947,500	20.44%
M/s. Bela Textiles Limited		3,995,750	16.51%
<b>Total</b>		21,233,250	87.74%



FORM OF PROXY  
27th Annual General Meeting

Registered Folio    Share Holding

--	--

I/We \_\_\_\_\_  
of \_\_\_\_\_

being a member of 'Nina INDUSTRIES LIMITED, hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing

him of \_\_\_\_\_

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held at Binoria Restaurant (Hall), Textile Avenue, S.I.T.E., Karachi, on Monday, February 24, 2025 at 3:30 p.m. and at every adjournment thereof.

As witness my hand this \_\_\_\_\_ of day of \_\_\_\_\_ 2025.

Signed by the said \_\_\_\_\_ in the presence  
of \_\_\_\_\_

Date: \_\_\_\_\_ (Members' signature)  
Place \_\_\_\_\_ (Witness signature)



Notes

1. This form of proxy, in order to be effective, must be deposited duly completed at the Company's Registered office at SF Unit 89, S.I.T.E., Karachi not less than 48 hours before the time for holding the meeting
2. Members' signature should agree with the specimen signature with the company.

*Mina*  
**INDUSTRIES LIMITED**

89 SF Unit, S.I.T.E Karachi.  
Pakistan