



AHMAD HASSAN TEXTILE MILLS LIMITED



2019

The Thirtieth

Annual Report



30th Annual Report

of

Ahmad Hassan Textile Mills Limited

for the year ended June 30, 2019



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VISION

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

MISSION

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

CORE VALUES

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

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

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

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

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

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

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

STRATEGIC PLAN

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



COMPANY PROFILE

BOARD OF DIRECTORS

Chairman
Chief Executive
Directors

Mian Muhammad Javed Anwar
Mr. Muhammad Aurangzeb
Mr. Muhammad Haris
Mr. Muhammad Jahanzaib
Mrs. Salma Javed
Mrs. Waheeda Parvaiz
Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)
Mr Nazir Ahmad Khan

Non-Executive Director
Executive Director
Executive Director
Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Independent Director

AUDIT COMMITTEE

Chairman
Members

Mr Nazir Ahmad Khan
Mian Muhammad Javed Anwar
Mrs. Waheeda Parvaiz

Independent Director
Non-Executive Director
Non-Executive Director

HR & R COMMITTEE

Chairman
Members

Mr Nazir Ahmad Khan
Mr. Muhammad Haris
Mrs. Waheeda Parvaiz

Independent Director
Executive Director
Non-Executive Director

CHIEF FINANCIAL OFFICER

Sh. Muhammad Naeem

HEAD OF INTERNAL AUDIT

Rao Saqib Ali

COMPANY SECRETARY

Sh. Muhammad Naeem

AUDITORS

M/s PKF F.R.A.N.T.S
Chartered Accountants

BANKERS

Bank Al-Habib Limited
Allied Bank Limited
United Bank Limited
Bank Al-Falah Limited
Habib Bank Limited
Soneri Bank Limited
Meezan Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

46 - Hassan Parwana Colony,
Multan.

MILLS

M.M. Road, Chowk Sarwar Shaheed,
Distt. Muzaffargarh.

SHARES REGISTRAR

M/s Vision Consulting Limited
3-C, LDA Flats, Lawarnc Road,
Lahore.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the Company will be held at its Registered Office, 46-Hassan Parwana Colony, Multan, on Saturday 19th October, 2019, at 11:00 A.M., to transact the following business.

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on 27th October, 2018.
2. To receive, consider and adopt the Annual Audited Accounts together with Directors' and Auditors' Reports for the year ended June 30, 2019.
3. To approve a final cash dividend for the year ended June 30, 2019 at Rs.1.25/- per share (12.50%), as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the financial year 2019-2020 and to fix their remuneration. The present Auditors Messrs. PKF F.R.A.N.T.S, Chartered Accountants, retire and being eligible offered themselves for re-appointment.

Other Business:

5. To consider any other matter with the permission of the Chair.

By Order of the Board of Directors

Multan:
Dated: 26.09.2019

(Sheikh Muhammad Naeem)
Company Secretary

Notes:

- I. The Share Transfer Books of the Company will remain closed from 12th October, 2019 to 19th October, 2019 (both days inclusive).
- II. A Member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy forms duly completed should reach the Registered Office of the Company at least 48 hours before the time of the meeting.
- III. Any individual Beneficial Owners of CDC, entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of Corporate members should bring the usual documents required for such purpose.
- IV. Members are requested to notify the change of their addresses, if any, immediately.
- V. The Members, who desire for receiving the annual audited financial statements and AGM Notice through email, are requested to send their written consent on Standard Request Form available on website www.ahtml.com.pk in order to avail this facility. The audited financial statements for the year ended June 30, 2019 are available on website of the Company. Further, the Company has sent its Annual Reports 2019 through CD/DVD/USB to the shareholders at their available addresses instead of hard copy. However, hard copy of Annual Report will be provided free of cost on written

request of the shareholder.

- VI. Members are requested to submit their Notarized Declarations (CZ-50) as Zakat & Ushr Ordinance, 1980 for Zakat Exemption, if they want to claim exemption towards non-deduction of zakat on cash dividend.
- VII. Pursuant to requirement of Section 244 of the Companies Act, 2017, shareholders who could not collect their cash dividend/physical shares, are advised to contact at the registered office of the Company to collect/enquire about their unclaimed dividend or physical shares, if any.
- VIII. **Video Conference Facility:** In term of SECP's Secular No. 10 of 2014 dated May 21, 2014 read with provisions contained under Section 134 (1)(b) of the Act, members of the company may also attend and participate in the AGM through video conference facility in a city other than Multan, if members residing in the vicinity, collectively holding 10% or more shareholding, may demand in writing, to participate in the AGM through video conference (as per the format appended below) at least seven (7) days prior to the date of AGM.

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

<p>Consent for Video Conference Facility</p> <p>I/we , _____ of _____, being a member of Ahmad Hassan Textile Mills Limited, holders of _____ ordinary share(s) as per CDC participant ID & sub -account No. _____ hereby opt for video conference facility at _____.</p> <p>Signature of the Member(s) (affix company stamp in case of corporate entity)</p>
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- IX. **E-Dividend:** Pursuant to Section 242 of the Companies Act, 2017, all listed companies have been mandated to pay dividend only by way of electronic mode, directly into the bank accounts to entitled members designated by them. Accordingly, all shareholders of the Company who have not yet provided their bank account details (including IBAN) to their participant/CDC Investor Account Service which maintains their CDC Account, are requested to provide the same at the earliest but not later than the first day of book closure, otherwise, the Company would be constrained to withhold their amount of dividend, if any, in accordance with the requirements of the Act and the Regulation.
- X. **Tax Implication of Dividend:** Pursuant to the provisions of Income Tax Ordinance, 2001, deduction of income Tax from dividend payment shall be made on basis of filer and non-filers as follows:

For Filer of Income Tax Returns	----- 15%
For Non-Filer of Income Tax Returns	----- 20%



CHAIRMAN'S REVIEW

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

Dear Shareholders

It gives me great pleasure to communicate with all stakeholders and valuable members of the Board to express my reviews on performance of the Company and Board as well. During the year, the newly formed government took steps to reduce the energy cost by offering RLNG at reduce rate and also devalue the local currency to compete with neighboring countries but unfortunately other factors like increase in raw material prices and continuous increase in KIBOR offset such measures and as a result we are still unable to boost our export sale.

In such a challenging situation, The Board recognizes the fact that the success and progress of the Company is depending upon directors' strategies, objectives and actions and it can only be possible with collective measures of all Board members and liaison with other committees. During the year, The Board met five times to monitor the performance of its sub committees, implementation of internal controls, formation of policies assimilating to mission and vision statements, compliance of all applicable laws and regulations, conduct annual evaluation of the Board and took necessary correction measures on timely basis when needed. Based upon all factors, I am satisfied regarding performance of the Board to meet with all commitments and ultimately that leads to increase in shareholders' wealth.

For maximizing the return of the Shareholders, I am pleased to inform you that Board has decided to give final dividend of Rs 1.25 per share.

The directors of the Company have proposed to demerge the Company by separating Spinning and Weaving segments and resolved to appoint the corporate and legal consultants to initiate the related working in this regard.

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

Multan

Dated: September 25, 2019

Mian Muhammad Javed Anwar

Chairman

DIRECTORS' REPORT

In the name of Allah the Most Beneficent and the Merciful

Dear Shareholders

Yours Directors are pleased to present before you, the 30th Annual Report on the affairs of your Company and Financial Results for the year ended June 30, 2019 together with the Directors Report and Auditors Report thereon;

SUMMARIZED FINANCIAL RESULTS:

	2019 (Rupees)	2018 (Rupees)
Sales-Net	7,273,993,808	5,179,001,252
Gross Profit	459,736,532	308,256,039
Profit After Taxation	40,955,567	10,118,283
G.P Ratio	6.32%	5.95%
Earnings Per Share	2.84	0.70

REVIEW OF OPERATIONS:

The financial year 2018-19 was a highly challenging year for the Company. Low economic growth of the country, abrupt fluctuation in foreign currency rates, stiff global competition and expensive raw material remained hurdle to re-enter in foreign market and earn better profit margin throughout the financial year. Besides all the adverse factors, your directors of the Company very much succeeded to grab the further local market share. As a result, GP ratio increased to 6.32 % and profit after tax remained of Rs 40.96 million which was Rs 30.84 million greater than previous financial year.

Our sales and cost of sales were increased by 40.45% and 39.90% respectively. Therefore, our gross profit margin slightly increased by 0.37%. Distribution cost decreased by 5.27 % due to decreased in direct export sale. Our admin expenses were increased by 28.39%, while finance cost increased by 37.18% due to rising trend of KIBOR as compared to the last year ended June 30, 2018. An overview of key operating performance and other data for last six years is annexed to the annual report.

BOARD COMPOSITION:

During the year on dated January 12, 2019, after sad demise of Mian Muhammad Parvez, *the Chief Executive of the Company*, Mr. Muhammad Aurangzeb was appointed as Chief Executive of the Company. Further, Mrs. Waheeda Parvaiz was appointed as non-executive director of the Company. Currently, Company's Board comprises one independent director, four non-executive directors including chairman of

the Board and three executive directors. The Board has two female directors and six male directors.

COMMITTEES OF THE BOARD:

1. **AUDIT COMMITTEE:** The committee comprises of three members including its Chairman. During the year, Mrs. Waheeda Parvez was appointed as member of the audit committee by replacing Mr. Muhammad Aurangzeb and Mian Muhammad Javed Anwar was appointed as member of the audit committee by replacing Mr. Muhammad Jahanzaib. The Chairman of the committee is Mr. Nazir Ahmad Khan (independent director) while remaining two members are non-executive directors.
2. **HR & R COMMITTEE:** This committee has three members including its Chairman. During the year, Mrs. Waheeda Parvez was appointed as member of the HR & R Committee by replacing Mr. Muhammad Jahanzaib. The Chairman of the committee is Mr. Nazir Ahmad Khan (independent director) while remaining two members are Mr. Muhammad Haris (executive director) and Mrs. Waheeda Parvez (Non-Executive director).

REMUNERATION OF THE DIRECTORS:

The non-executive directors and independent director are paid remuneration for only attending the Board/Committee meetings, as per approved policy. The relevant details are disclosed in notes 42 to the financial statements for the year ended June 30, 2019.

BOARD / COMMITTEE MEETINGS AND ATTENDANCE BY DIRECTORS:

Total meetings held during the year	Board meeting	Audit Committee meeting	HR & R Committee meeting
	5	5	2
Attended By:			
Mian Muhammad Javed Anwar	5	5	-
Mian Muhammad Parvez	2	-	-
Mrs. Salma Javed	5	-	-
Mrs. Waheeda Parvez	2	2	1
Mr. Muhammad Haris	4	-	2
Mr. Muhammad Aurangzeb	5	3	-
Mr. Muhammad Jahanzaib	5	-	1
Mr. Nazir Ahmad Khan	5	5	2
Mr. Raza Abbas Jaffari (Nominee N.I.T)	4	-	-

DIRECTOR TRAINING PROGRAM:

Three directors of the Company are exempted from the Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. One director has obtained the certificate after successfully completion of director training program organized by 'Pakistan Institute of Corporate Governance' (PICG). The Company will arrange training program of other directors as provided under CCG requirement.

INTERNAL CONTROL SYSTEM :

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

CORPORATE SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL CARE:

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

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

FUTURE OUTLOOK :

Despite the severe international competition and challenging environment in local market, the directors of your Company are still optimistic for further growth in future. The current government commitments about decrease in energy prices, devaluation of Pak rupees and timely releasing the sales tax refunds will definitely turn around the situation. We are still anxiously waiting for implementation of textile package including Gas rate of \$6.5/MMBTU, as approved by Economic Coordination Committee (ECC). We hope that with the passage of time, the combination of directors' experience and mature decisions of the government for industry revival will help to increase the earnings of the Company and shareholders' wealth as well.

The directors of the Company have proposed to demerge the Company by separating Spinning and Weaving segments and resolved to appoint the corporate and legal consultants to initiate the related working in this regard.

CORPORATE GOVERNANCE:

The directors of your company state further that:

- 1- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- 2- Proper books of account of the listed company have been maintained.
- 3- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 5- The system of internal control is sound in design and has been effectively implemented and monitored.
- 6- There are no significant doubts upon the listed company's ability to continue as a going concern.
- 7- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 8- Outstanding duties and taxes, if any, have been disclosed in the financial statements.
- 9- We have an Audit Committee, the members of which are from the Board of Directors and the Chairman is an independent director.
- 10- The Board has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- 11- The Company's Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 is attached.

AUDITORS :

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



PATTERN OF SHAREHOLDING:

Pattern of holding of shares by the shareholders of the Company as on June 30, 2019 is enclosed.

DIVIDEND:

The Board is pleased to propose a final dividend of Rs 1.25 per share for the financial year ended June 30, 2019.

ACKNOWLEDGMENT :

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

On behalf of the Board of Directors

Chief executive

Director

Multan

Dated: September 25, 2019

ڈائریکٹرز کی جائزہ رپورٹ

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

محترم حصہ داران!

ہم ڈائریکٹران بخوشی آپ کے سامنے مورخہ 30 جون 2019 تک مکمل ہونے والے سال کے مالیاتی نتائج کی 30 ویں سالانہ رپورٹ، ڈائریکٹرز کی رپورٹ اور آڈیٹر کی رپورٹ کے ساتھ حاضر ہیں۔

مالیاتی نتائج کا خلاصہ

30 جون 2018	30 جون 2019	
5,179,001,252	7,273,993,808	کل رقم فروختگی
308,256,039	459,736,532	کل منافع
10,118,283	40,955,567	منافع بعد از ٹیکس
5.95%	6.32%	شرح منافع
0.70	2.84	فی حصص آمدنی

کاروباری امور کا جائزہ

2018-19 کا مالی سال ادارے کے لیے بہت زیادہ مشکل رہا ہے ملک کی کم معاشی نمو، غیر ملکی کرنسی کی شرحوں میں اچانک اتار چڑھاؤ، سخت عالمی مقابلہ اور مہنگا خام مال ہمارے ادارے کے لیے غیر ملکی مارکیٹ میں دوبارہ داخل ہونے اور بہتر منافع کا مارجن حاصل کرنے میں پورا سال رکاوٹ بنے رہے ہیں تمام منفی عوامل کے باوجود آپ کے ڈائریکٹرز مقامی فروخت کی منڈی میں مزید حصے پر قابض ہونے میں کامیاب رہے ہیں جس کی وجہ سے شرح منافع 6.32% تک بڑھ گیا ہے اور منافع بعد از ٹیکس 40.96 ملین تک پہنچ گیا ہے جو کہ پچھلے سال کے مقابلے میں 30.84 ملین زیادہ ہے۔

ہماری فروختگی رقم اور پیداواری لاگت میں بالترتیب 40.45 فیصد اور 39.90 فیصد اضافہ ہوا جسکی وجہ سے شرح منافع میں 0.37 فیصد بہتری آئی ہے۔ ترسیل و تقسیم کے خرچہ براہ راست برآمدات میں کمی کی وجہ سے 5.27 فیصد کم ہوئے۔ ہمارے انتظامی امور کے خرچے 28.39 فیصد زیادہ ہوئے ہیں۔ جبکہ مالیاتی خرچ بھی 30 جون 2018 کو ختم ہونے والے پچھلے سال کے مقابلے میں KIBOR کے بڑھتے ہوئے رجحان کی وجہ سے 37.18 فیصد بڑھے ہیں۔

گزشتہ چھ سالوں کے اہم کاروباری امور اور دوسرے معاملات کا جائزہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بورڈ کی ساخت:

اس سال 12 جنوری 2019ء کو میاں محمد پرویز (چیف ایگزیکٹو) کی وفات کے بعد محترم محمد اورنگ زیب کو ادارے کے نئے (چیف ایگزیکٹو) کے طور پر تعینات کیا گیا۔

اب ادارے کا ڈائریکٹرز کے بورڈ میں ایک آزاد ڈائریکٹر، چار نان ایگزیکٹو ڈائریکٹرز (جن میں ادارے کا چیئر مین بھی شامل ہے) اور تین ایگزیکٹو ڈائریکٹر شامل ہیں۔ ڈائریکٹرز کے بورڈ میں دو خواتین اور چھ مرد ڈائریکٹر شامل ہیں۔

بورڈ کی کمیٹیاں:

1۔ آڈٹ کمیٹی:

یہ کمیٹی تین افراد پر مشتمل ہے جس میں چیئر مین بھی شامل ہے اس سال محترمہ وحیدہ پرویز کو محترم محمد اورنگ زیب کی جگہ تعینات کیا گیا اور میاں محمد جاوید انور کو محترم محمد جہانزیب کی جگہ تعینات کیا گیا ہے۔ اس کمیٹی کا چیئر مین نذیر احمد خان ہے جو کہ ایک آزاد ڈائریکٹر ہے جبکہ باقی دو افراد نان ایگزیکٹو ڈائریکٹر ہیں۔

2۔ ہیومن ریسورس اینڈ ریمونیشن کمیٹی

اس کمیٹی میں چیئر مین سمیت تین افراد شامل ہیں اس سال محترمہ وحیدہ پرویز صاحبہ کو محترم محمد جہانزیب کی جگہ تعینات کیا گیا ہے۔ کمیٹی کا چیئر مین ایک آزاد ڈائریکٹر محترم نذیر احمد خان ہے جبکہ باقی دو افراد میں محترم محمد حارث (ایگزیکٹو ڈائریکٹر) اور محترمہ وحیدہ پرویز (نان ایگزیکٹو ڈائریکٹر) شامل ہیں۔

ڈائریکٹرز کا معلوضہ:

نان ایگزیکٹو ڈائریکٹرز اور آزاد ڈائریکٹر کی فیس کو ہم صرف کمپنی کے منظور شدہ قواعد کے مطابق بورڈ/کمیٹی کی میٹنگ پر حاضر ہونے پر ادا کرتے ہیں جس کی تفصیل ہم 30 جون 2019 کو ختم ہونے والے مالی سال کے اکاؤنٹس میں نوٹ نمبر 42 میں بیان کر رہے ہیں۔

بورڈ / کمیٹی میٹنگ اور ڈائریکٹرز کی حاضریاں:

تمام میٹنگز جو اس سال ہوئیں	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ہیومن ریسورس اینڈ ریمو نیویشن کمیٹی
ٹوٹل	5	5	2
میاں محمد جاوید انور	5	5	--
میاں محمد پرویز	2	--	--
مسز سلمیٰ جاوید	5	--	--
مسز وحیدہ پرویز	2	2	1
مسٹر محمد حارث	4	--	2
مسٹر محمد اورنگزیب	5	3	--
مسٹر محمد جہانزیب	5	--	1
مسٹر نذیر احمد خان	5	5	2
مسٹر رضا عباس جعفری (ممبر این آئی ٹی)	4	--	--

ڈائریکٹر ٹریننگ پروگرام:

کمپنی کے تین ڈائریکٹرز سی جی میں فراہم کردہ تعلیم اور تجربے کی حد کی بنیاد پر ڈائریکٹر ٹریننگ پروگرام سے مستثنیٰ ہیں۔ ایک ڈائریکٹر نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کی طرف سے منعقد شدہ ڈائریکٹر ٹریننگ پروگرام کو کامیابی سے مکمل کرنے کے بعد سرٹیفیکیشن حاصل کیا ہے۔ کمپنی سی جی کی ضروریات کے تحت دیگر ڈائریکٹرز کے تربیتی پروگرام کا انعقاد کرے گی۔

ادارے کے اندرونی کنٹرول کا نظام:

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

سماجی ذمہ داریاں اور ماحولیاتی دیکھ بھال:

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

مستقبل کا نقطہ نظر:

شدید بین الاقوامی مقابلے اور مقامی مارکیٹ میں مشکل ترین حالات کے باوجود آپ کے ڈائریکٹران مستقبل میں مزید ترقی کے لئے پرامید ہیں۔ موجودہ حکومت نے جو توانائی کی قیمتوں میں کمی، روپے کی قدر میں کمی اور سیل ٹیکس کے واجبات کی فوری ادائیگیوں کے جو وعدہ کئے ہیں ان کو پورا کرنے سے موجودہ صورت حال یکسر تبدیل ہو جائے گی۔ ہم ٹیکسٹائل کے لئے خصوصی مراعات جس میں گیس کے نرخوں میں 6.5 ڈالر پرایم ایم بی ٹی یونٹ کی، جس کو ECC اکاؤنٹ کو آرڈی نیشن کمیٹی نے بھی منظور کیا ہے، کو بڑی بے تابی سے انتظار کر رہے ہیں۔ ہم امید کرتے ہیں وقت گزرنے کے ساتھ ساتھ ڈائریکٹر کے تجربے اور حکومت کے ٹھوس منصوبہ بندیوں سے ٹیکسٹائل کی صنعت بحال ہوگی۔ جس سے ادارہ کا منافع اور حصہ داران کی دولت میں اضافہ ہوگا۔ ادارے کے ڈائریکٹران نے ادارے کو تقسیم کرنے کی تجویز دی ہے جس سے سپنگ اور ویونگ کے شعبے علیحدہ ادارے بن جائیں گے۔ اس سلسلے میں کارپوریٹ اور قانونی مشیروں کو بورڈ کی اجازت سے تعینات کیا گیا ہے۔

کارپوریٹ گورننس:

آپ کی کمپنی کے ڈائریکٹرز کا مزید کہنا ہے کہ

- 1 کمپنی کی انتظامی کی طرف سے تیار کردہ مالیاتی گوشوارے اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور ایکوٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- 2 کمپنی نے اپنے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 3 کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 4 مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

- 5 انٹرل کنٹرول کا نظام مستحکم ہے اور اس موثر انداز میں لاگو کیا گیا ہے اور اسکی نگرانی کی جاتی ہے۔
- 6 کمپنی کے کاروبار رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔
- 7 لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی کمی بیشی نہیں کی گئی،
- 8 ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس میں دی گئی ہیں اور مالیاتی گوشواروں کا حصہ ہیں۔
- 9 ادارے کی ایک آؤٹ کمپنی ہے جس کا چیئرمین ایک آزاد ڈائریکٹر ہے۔
- 10 بورڈ نے ادارہ کے مشن اور وژن کے متعلق پالیسی کو اپنایا ہے۔
- 11 کارپوریٹ گورننس اصولوں کے متعلق رپورٹ بھی اس ڈائریکٹر رپورٹ کے ساتھ منسلک ہے۔

آڈیٹر:

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

پیٹرن آف شیئر ہولڈنگ:

30 جون 2019 کے مطابق کمپنی کے شیئر ہولڈنگ کے پیٹرن کی رپورٹ، اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

ڈیوی ڈینڈ:

بورڈ، بخوشی 30 جون 2019 کو ختم ہونے والے مالی سال کیلئے 1.25 روپے فی حصص کے حساب سے فائنل ڈیویڈنڈ تجویز کرتا ہے۔

اظہار تشکر:

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

چیف ایگزیکٹو

ڈائریکٹر

ملتان 25 ستمبر 2019



Six Years Growth at Glance (2014-2019)

Particulars	2014	2015	2016	2017	2018	2019
OPERATIONAL PERFORMANCE:						
Weaving						
Number of Looms Installed	136	150	163	191	191	219
Number of Looms Worked	136	150	163	163	176	219
Installed Capacity after conversion into 60 picks Sq. Meter (000)	43,455	46,011	50,000	51,000	51,000	76,617
Actual Production after conversion into 60 picks Sq. Meter (000)	34,914	37,664	43,163	44,437	48,517	55,471
Spinning						
Number of Spindles Installed	22,872	24,984	24,984	24,984	28,152	28,152
Number of Spindles Worked	22,872	24,984	24,984	24,984	28,152	28,152
No. of Shifts Worked	1,095	1,095	1,098	1,095	1,095	1,095
Installed Capacity (after conversion into 20/s count) (1095 shifts) KGS (000)	8,205	8,771	8,951	8,880	10,216	10,668
Actual yarn Production (after con. 20/s count) KGS (000)	6,900	7,075	8,476	8,628	9,507	10,546
PROFIT AND LOSS:						
Net Sales Rs. (000)	3,977,310	3,248,868	3,455,552	4,055,873	5,179,001	7,273,994
Cost of Sales Rs. (000)	3,604,975	3,039,521	3,207,894	3,809,770	4,870,745	6,814,257
Gross Profit Rs. (000)	372,335	209,347	247,658	246,103	308,256	459,737
Operating ProfitRs. (000)	186,178	35,862	116,912	132,039	202,702	318,390
Profit /(loss) before Tax Rs. (000)	81,624	(70,471)	8,707	9,565	64,907	129,357
Profit /(loss) after Tax Rs. (000)	96,096	(19,975)	(18,118)	(3,449)	10,118	40,956
BALANCE SHEET:						
Share Capital and Reserves Rs. (000)						
Shareholders Equity Rs. (000)	1,870,181	1,850,206	1,811,322	1,807,873	1,817,992	1,840,937
Property Plant & Equipment Rs. (000)	2,494,300	2,665,839	2,580,090	2,710,351	2,762,251	2,841,368
CurrentAssets Rs. (000)	1,100,794	961,355	1,054,581	1,394,197	1,496,594	1,843,525
Current Liabilities Rs.(000)	1,100,711	1,061,290	1,169,086	1,505,189	1,714,741	2,099,913
Long Term Liabilities Rs. (000)	663,367	755,943	589,268	698,568	677,170	713,577
INVESTOR INFORMATION:						
Per Share (Rs.)						
Dividend announced (Rs per share)	-	-	-	-	1.25	1.25
Earning/(Loss) Per Share	6.67	(1.39)	(1.26)	(0.24)	0.70	2.84
FINANCIAL RATIOS:						
Gross Profit Ratio (%)	9.36	6.44	7.17	6.07	5.95	6.32
Net Profit Ratio (%)	2.42	(0.61)	(0.52)	(0.09)	0.20	0.56
Inventory Turnover (times)	5.71	5.62	5.32	4.94	5.52	6.89
Fixed Assets Turnover (times)	1.63	1.22	1.34	1.50	1.87	2.56
Total Assets Turnover (times)	1.09	0.89	0.94	0.99	1.20	1.53
Return on Capital Employed (%)	0.07	0.01	0.05	0.05	0.02	0.05
Debt to Equity Ratio (%)	19.18	23.35	22.29	26.16	26.62	26.18
Current Ratio (%)	1.00	0.91	0.90	0.93	0.87	0.88
Interest Coverage Ratio (times)	1.78	0.34	1.08	1.08	1.47	1.68

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 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 eight as per the following:
 - a) Male: Six
 - b) Female: Two
2. The composition of board is as follows:

Independent Director	Mr. Nazir Ahmad Khan
Other Non-executive Directors	Mr. Mian Muhammad Javed Anwar
	Mrs. Salma Javed
	Mrs. Waheeda Parvaiz
	Mr. Syed Raza Abbas Jaffari (Rep. N.I.T)
Executive Directors	Mr. Muhammad Haris
	Mr. Muhammad Aurangzeb
	Mr. Muhammad Jahanzaib
3. The directors have confirmed that none of them is serving as a director in 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 have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The board has arranged Directors' Training Program for Muhammad Aurangzeb. For the independent director appointed on October 28, 2017 and the female executives, the training program will be arranged within due course of time.
10. The board has approved appointment or continued service of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant

requirements of the Regulations. However, the CFO and Company Secretary of the Company is the same person. The Company is in the process of appointing separate person as Company Secretary.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee
 - Mr. Nazir Ahmad Khan (Chairman)
 - Mian Muhammad Javed Anwar (member)
 - Mrs. Waheeda Parvaiz (member)
 - b) HR and Remuneration Committee
 - Mr. Nazir Ahmad Khan (Chairman)
 - Mr. Muhammad Haris (member)
 - Mrs. Waheeda Parvaiz (member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee: 5 meetings
 - b) HR and Remuneration Committee: 2 meetings
15. The board has set up an effective internal audit function. The head of internal audit is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.

Mian Muhammad Javed Anwar
Chairman

Mr. Muhammad Aurangzeb
Chief Executive

September 25, 2019



INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AHMAD HASSAN TEXTILE MILLS LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

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

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

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

Sr.	Paragraph Reference	Description
i)	9	The Directors Training Program, for the independent director appointed on October 28, 2017 and the female executives, has not been arranged till June 30, 2019.
ii)	10	Chief Financial Officer and the Company Secretary is the same person.

PKF F.R.A.N.T.S.
Chartered Accountants
Multan
Dated: September 25, 2019

INDEPENDENT AUDITOR'S REPORT

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

OPINION

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

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Following are the key audit matters:

Following are the Key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1.	<p>Contingencies</p> <p>Refer note 3.20, note 28 and note 29 to the accompanying financial statements, various tax, excise and customs related matters are pending adjudication at various levels with the taxation authorities and other legal forums.</p> <p>The tax contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Due to inherent uncertainties regarding amount and the time period such matters may take to resolve, the management judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered contingencies as a key audit matter.</p>	<p>Our key audit procedures in this area included, amongst others, the following:</p> <ul style="list-style-type: none"> • We reviewed the correspondence of the Company with the relevant authorities and legal advisors including judgments or orders passed by the competent authorities; • We obtained and reviewed confirmations from the Company's external legal advisors for their views on the status of each case and an overall opinion on the position of the Company; • We involved internal tax experts to assess and review the management's conclusions on contingent matters; and • Evaluated whether adequate disclosures have been made in note 28 and note 29 to the accompanying financial statements.
2.	<p>Revenue</p> <p>Refer note 3.21 and note 30 to the accompanying financial statements, the Company generates revenue from sale of yarn and fabric to domestic as well as export customers. The Company recognized revenue of Rs. 7,273.994million which was higher by 40.45% as compared to last year.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<p>Our key audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Checking the production data in line with increase in capacity; • Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and • Inspecting credit notes issued to record sales returns subsequent to year end, if any.

<p>3.</p>	<p>Stock-in-trade</p> <p>Refer note 3.8 and note 10 to the accompanying financial statements, stock-in-trade amounting Rs. 1,108.560 million forms a significant part of the Company's assets.</p> <p>We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • Comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • Obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • Comparing the NRV, on a sample basis, to the cost of stock-in-trade to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.
<p>4.</p>	<p>Trade Debts</p> <p>Refer note 11 to the accompanying financial statements, the Company's trade debtors were Rs. 481.534 million as at June 30, 2019 which is a significant balance.</p> <p>We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.</p>	<p>Our audit procedures to assess the valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • Assessing the assumptions and estimates made by the management for the provision for doubtful debts, if any; and • Comparing, on a sample basis, receipts from customers subsequent to the financial year end relating to trade debtor balances as at June 30, 2019 with the underlying documentation.

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

PKF F.R.A.N.T.S.,
Chartered Accountants
Multan
September 25, 2019



STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Notes	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,841,368,043	2,762,250,958
Investment property	5	43,311,500	43,311,500
Intangible assets	6	122,717	408,735
Long term deposits	7	13,262,777	12,337,177
Long term investment	8	17,837,014	-
		<u>2,915,902,051</u>	<u>2,818,308,370</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	9	60,940,689	51,824,641
Stock-in-trade	10	1,108,560,342	869,769,472
Trade debts	11	481,533,726	393,907,106
Loans and advances	12	111,787,562	59,063,437
Due from Government	13	57,775,795	97,071,850
Other receivables	14	6,109,505	5,402,894
Short term investments	15	52,000	76,840
Cash and bank balances	16	16,765,243	19,477,569
		<u>1,843,524,862</u>	<u>1,496,593,809</u>
TOTAL ASSETS		<u><u>4,759,426,913</u></u>	<u><u>4,314,902,179</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	17	<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up share capital	17	144,082,488	144,082,488
Capital reserves:			
Share premium	18	32,746,284	32,746,284
Surplus on revaluation of property, plant and equipment	19	742,422,219	773,129,285
Revenue reserve - unappropriated profit		<u>921,685,893</u>	<u>868,033,570</u>
		<u>1,840,936,884</u>	<u>1,817,991,627</u>
Subordinated loans	20	105,000,000	105,000,000
NON-CURRENT LIABILITIES			
Long term loans and financing	21	492,597,908	464,058,353
Liabilities against assets subject to finance lease	22	7,020,700	7,035,960
Deferred taxation - net	23	213,958,218	206,075,724
		<u>713,576,826</u>	<u>677,170,037</u>
CURRENT LIABILITIES			
Trade and other payables	24	681,408,533	404,611,545
Unclaimed dividend		3,235,078	3,019,542
Short term finances under markup arrangements and other credit facilities	25	1,138,700,665	1,054,662,438
Current portion of non-current liabilities	26	153,233,348	188,356,535
Accrued finance cost	27	52,539,990	32,252,064
Provision for taxation	28	70,795,589	31,838,391
		<u>2,099,913,203</u>	<u>1,714,740,515</u>
TOTAL LIABILITIES		<u>2,813,490,029</u>	<u>2,391,910,552</u>
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		<u><u>4,759,426,913</u></u>	<u><u>4,314,902,179</u></u>

The annexed notes, from 1 to 53, form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Sd/-
Chief Financial Officer

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

		2019	2018
	Notes	Rupees	Rupees
Sales - net	30	7,273,993,808	5,179,001,252
Cost of sales	31	(6,814,257,276)	(4,870,745,213)
Gross profit		459,736,532	308,256,039
Other income	32	2,464,097	23,446,460
Loss on trading	33	(14,845)	(272,252)
Distribution cost	34	(61,066,650)	(64,461,695)
Administrative expenses	35	(75,825,494)	(59,060,685)
Other operating expenses	36	(6,903,889)	(5,205,742)
		(141,346,781)	(105,553,914)
Profit before finance cost		318,389,751	202,702,125
Finance cost	37	(189,033,018)	(137,794,847)
Profit before taxation		129,356,733	64,907,278
Taxation	38	(88,401,166)	(54,788,995)
Profit after taxation for the year		40,955,567	10,118,283
Earnings per share - basic and diluted	39	2.84	0.70

The annexed notes, from 1 to 53, form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Sd/-
Chief Financial Officer



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

	2019	2018
	Rupees	Rupees
Profit after taxation for the year	40,955,567	10,118,283
Other comprehensive income for the year	-	-
Total comprehensive income for the year	40,955,567	10,118,283

The annexed notes, from 1 to 53, form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Sd/-
Chief Financial Officer



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

	Issued, subscribed and paid up share capital	Reserves			Total
		Capital		Revenue	
		Share premium	Surplus on revaluation of property, plant and equipment	Unappropriated profit	
Rupees					
Balance as at June 30, 2017	144,082,488	32,746,284	805,470,486	825,574,086	1,807,873,344
Total comprehensive income for the year:					
Profit after taxation for the year	-	-	-	10,118,283	10,118,283
Other comprehensive income for the year	-	-	-	-	-
	-	-	-	10,118,283	10,118,283
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 19.2.	-	-	(32,341,201)	32,341,201	-
Balance as at June 30, 2018	144,082,488	32,746,284	773,129,285	868,033,570	1,817,991,627
Distribution to owners:					
Final cash dividend of Rs. 1.25 per share for the year ended June 30, 2018	-	-	-	(18,010,310)	(18,010,310)
Total comprehensive income for the year:					
Profit after taxation for the year	-	-	-	40,955,567	40,955,567
Other comprehensive income for the year	-	-	-	-	-
	-	-	-	40,955,567	40,955,567
Incremental depreciation arising due to surplus on revaluation of property, plant and equipment (net of deferred tax) - note 19.2.	-	-	(30,707,066)	30,707,066	-
Balance as at June 30, 2019	144,082,488	32,746,284	742,422,219	921,685,893	1,840,936,884

The annexed notes, from 1 to 53, form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Sd/-
Chief Financial Officer



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

	Notes	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	374,912,263	408,210,813
Income tax paid - net		(57,762,077)	(22,840,640)
Finance cost paid		(168,619,812)	(134,032,164)
Long term deposits given		(925,600)	(949,280)
Mark-up on security deposit with SNGPL		-	1,729,676
Duty Drawback of taxes on export sales received		18,379,669	18,716,811
Paid to Workers' Welfare Fund		-	(368,153)
Paid to Workers' Profit Participation Fund	24.2	(3,560,829)	(520,740)
		(212,488,649)	(138,264,490)
Net cash generated from operating activities (A)		162,423,614	269,946,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(221,246,501)	(183,907,961)
Proceeds from disposal of property, plant and equipment		490,000	4,381,000
Investment property		-	(43,311,500)
Short term investments realized		-	14,340
Dividend received		4,000	8,301
Net cash used in investing activities (B)		(220,752,501)	(222,815,820)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(17,794,774)	-
Long term finances obtained		180,820,805	149,837,144
Repayment of long term finances		(188,599,869)	(139,247,338)
Repayment of principal portion of finance lease	22	(2,847,828)	(1,446,565)
Short term finances - net		38,956,992	(81,322,871)
Net cash generated from / (used in) financing activities (C)	40.1	10,535,326	(72,179,630)
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(47,793,561)	(25,049,127)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(215,427,092)	(190,377,965)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	40.2	(263,220,653)	(215,427,092)

The annexed notes, from 1 to 53, form an integral part of these financial statements.

Sd/-
Chief Executive

Sd/-
Director

Sd/-
Chief Financial Officer

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 STATUS AND ACTIVITIES

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

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

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

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

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

2.2 BASIS OF MEASUREMENT

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS - continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

2.4.1 Property, plant and equipment and investment property

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

2.4.2 Inventories

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

2.4.3 Income taxes

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

2.4.4 Provision for contingencies

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

2.4.5 Provision for doubtful receivables

The Company records its trade and other receivables after deducting appropriate provisions, if any, using its prudence and experience. The estimate for such provisions are subjective in nature. Recoveries of amounts already provided for and / or the need for further provisioning cannot be determined with precision.

2.5 NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS

2.5.1 Standards, amendments and Interpretations adopted during the year

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

- | | |
|--------|---|
| IAS 28 | Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by investment choice. |
| IAS 40 | Investment property (Amendments); Amendments on transfers of property to or from investment property. |
| IFRS 2 | Share-based Payment (Amendments); Clarification on the classification and measurement of share-based payment transactions. |
| IFRS 4 | Insurance contracts (Amendments); the interaction of IFRS 4 and IFRS 9. |

NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS - continued

- IFRS 9 Financial Instruments; This standard superseded IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.
- IFRS 15 Revenue from Contracts with Customers; This standard superseded IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

The adoption of the above amendments to accounting standards did not have any significant impact on the financial statements, except some additional disclosures. Consequent to adoption of above standards, changes in some accounting policies have been reflected in note 3.21 and note 3.24.

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

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

Standards or interpretations		Effective date (reporting period beginning on or after
IAS 19	Employee benefits (Amendments); Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments); Amendments regarding long term interests in associates and joint ventures.	January 01, 2019
IFRS 9	Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 16	Leases; This standard will supersede IAS 17 - 'Leases' upon its effective date.	January 01, 2019
IFRIC 23	Uncertainty Over Income Tax; Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
IFRS 3	Business Combinations (Amendments); Amendments regarding previously held Interests in a joint operation.	January 01, 2019
IFRS 3	Business Combinations (Amendments); Clarify the definition of business.	January 01, 2020
IFRS 11	Joint Arrangements (Amendments); Re-measurement of previously held Interests in a joint operation	January 01, 2019
IAS 12	Income Taxes (Amendments); Amendments regarding income tax consequences of payments on financial instruments classified as equity.	January 01, 2019

NEW AND REVISED LAWS, STANDARDS AND INTERPRETATIONS - continued

Standards or interpretations		Effective date (reporting period beginning on or after
IAS 23	Borrowing Costs (Amendments); Borrowing costs eligible for capitalisation	January 01, 2019
IAS 1	Presentation of Financial Statements (Amendments); Amendments regarding the definition of concept of material	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments); Amendments regarding the definition of concept of material	January 01, 2020

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

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

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

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

The following interpretations issued by the IASB have been waived off by SECP:

- IFRIC 4 - Determining whether an arrangement contains lease
- IFRIC 12 - Service concession arrangements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**3.1 Property, plant and equipment****3.1.1 Owned****(a) Initial recognition**

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

(b) Measurement

Property, plant and equipment except freehold land and capital work-in-progress (CWIP) are stated at cost or revalued amount less accumulated depreciation and any identified impairment in value. Freehold land is stated at revalued amount and CWIP is stated at cost less any recognized impairment loss. Borrowing costs pertaining to erection / construction of qualifying assets are capitalized as part of the historical cost as stated in note 3.15.

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

(c) Depreciation

Depreciation on all items of property, plant and equipment except freehold land and capital work-in-progress is charged to income by applying reducing balance method so as to write-off the depreciable amounts over estimated remaining useful life of the assets. The useful life and depreciation method are consistent with the expected period/pattern of economic benefits from items of operating property, plant and equipment. Rates of depreciation are stated in note 4.1.

Depreciation is charged on additions from the month in which an asset is available for use and no depreciation is charged for the month in which asset is disposed of. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

(d) Subsequent costs

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

(e) Gains or losses on disposals

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**Property, plant and equipment - continued****(f) Revaluation**

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

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

3.1.2 Leased

Leased assets are stated at the lower of fair value and present value of minimum lease payments under the lease agreements. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal for each period.

Depreciation is charged to income by applying reducing balance method to write-off the depreciable amounts of the assets over their estimated useful life in view of certainty of ownership of the assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to current year's income.

3.2 Investment property

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

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

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

3.3 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price and other directly attributable expenditures relating to their implementation and customization. It includes costs incurred in acquiring scientific or technical knowledge, systems, licenses, intellectual property, market knowledge and trademarks. These costs are amortized over their estimated useful life using straight line method at rates given under note 6 starting from the month of capitalization of assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.4 Impairment of non-financial assets

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

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

3.5 Long term deposits

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

3.6 Long term Investments

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

3.7 Stores, spare parts and loose tools

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

3.8 Stock-in-trade

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

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

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

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

3.9 Foreign currency translations

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**3.10 Cash and cash equivalents**

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

3.11 Non-current assets classified as held for sale

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

3.12 Share capital

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

3.13 Dividend and revenue reserves appropriation

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

3.14 Subordinated loans

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

3.15 Borrowings and their costs

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

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

All other borrowing costs are charged to statement of profit or loss in the period in which these are incurred.

3.16 Taxation**3.16.1 Current**

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**Taxation - continued****3.16.2 Deferred**

Deferred tax is provided using the statement of financial position liability method for all temporary differences at the statement of financial position date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all major taxable temporary differences. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime are also considered in accordance with the requirement of Technical Release 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity. Further, the Company recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.17 Trade and other payables

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

3.18 Provision for gratuity

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

3.19 Provisions

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

3.20 Contingencies and commitments

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

3.21 Revenue recognition

During the year, the Company has adopted IFRS 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are satisfied rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The management has concluded that revenue from local sale of goods be recognised at the point in time when control of goods is transferred to the customer, which is when the goods are dispatched to the customer and invoices are generated.

Revenue from various other transactions is recognized as follows:

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

3.22 Sales tax

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

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

3.23 Earnings per share

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

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

3.24 Financial instruments

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

3.24.1 Financial assets

(a) Initial recognition and measurement

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(b) subsequent measurement

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

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

(i) Financial assets at amortized cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Financial assets designated at fair value through OCI

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Derecognition

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

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

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

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

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

(d) Impairment of financial assets

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

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

3.24.2 Financial liabilities

(a) Initial recognition and measurement

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Subsequent measurement

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

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

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

(c) Derecognition

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

3.24.3 Offsetting of financial instruments

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

3.24.4 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
 - Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derive from prices).
 - Level 3: Inputs for asset or liability that are not based on observable market data (unobservable inputs).
- The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

3.25 Segment Reporting

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

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

4. PROPERTY, PLANT AND EQUIPMENT

<u>Notes</u>	2019	2018
	Rupees	Rupees
4.1	2,841,368,043	2,761,849,207
4.2	-	401,751
	2,841,368,043	2,762,250,958

4.1 Operating property, plant and equipment - for the year ended June 30, 2019

PARTICULARS	COST / REVALUED AMOUNTS				DEPRECIATION CHARGE				NET BOOK VALUE		RATE
	As at June 30, 2018	Additions	Transfers from capital work-in- progress	Disposals	As at June 30, 2019	Rupees			As at June 30, 2019		
						Accumulated as at June 30, 2018	For the year	Accumulated on disposals			
Rupees											
Owned assets:											
Land - freehold (note 4.1.2)	67,350,000	-	-	-	67,350,000	-	-	-	-	67,350,000	
Buildings on freehold land: (note 4.1.2)											
- Factory building	448,157,929	4,711,446	-	-	452,869,375	159,429,194	14,524,583	-	173,953,777	278,915,598	5%
- Residential building	105,437,171	-	-	-	105,437,171	35,958,636	3,473,927	-	39,432,563	66,004,608	5%
	553,595,100	4,711,446	-	-	558,306,546	195,387,830	17,998,510	-	213,386,340	344,920,206	
Plant and machinery including											
generators (note 4.1.3)	3,395,283,678	27,153,281	189,464,165	-	3,611,901,124	1,170,181,271	117,032,144	-	1,287,213,415	2,324,687,709	5%
Power grid station	100,516,512	-	-	-	100,516,512	52,014,936	2,425,079	-	54,440,015	46,076,497	5%
Gas installations	18,739,816	-	-	-	18,739,816	5,366,114	668,685	-	6,034,799	12,705,017	5%
Electric installations	64,942,247	-	-	-	64,942,247	45,215,022	1,972,723	-	47,187,745	17,754,502	10%
Factory equipments	4,731,093	-	-	-	4,731,093	1,159,675	357,142	-	1,516,817	3,214,276	10%
Office equipments	4,610,952	62,000	-	-	4,672,952	2,394,335	222,695	-	2,617,030	2,055,922	10%
Computer equipments	1,946,846	158,500	-	-	2,105,346	1,169,325	294,972	-	1,464,297	641,049	33%
Telephone installations	616,224	-	-	-	616,224	421,114	19,511	-	440,625	175,599	10%
Furniture and fittings	1,178,936	-	-	-	1,178,936	896,366	28,257	-	924,623	254,313	10%
Arms and ammunition	27,800	-	-	-	27,800	21,922	588	-	22,510	5,290	10%
Weighing scale	2,476,075	-	-	-	2,476,075	737,503	173,856	-	911,359	1,564,716	10%
Tube well	45,000	-	-	-	45,000	36,424	858	-	37,282	7,718	10%
Vehicles	35,325,726	-	-	(757,000)	34,568,726	24,510,220	2,120,656	(529,342)	26,101,534	8,467,192	20%
	4,251,386,005	33,085,227	189,464,165	(757,000)	4,472,178,397	1,499,512,057	143,315,676	(529,342)	1,642,298,391	2,829,880,006	
Leased assets:											
Vehicles	11,512,000	4,126,860	-	-	15,638,860	1,536,741	2,614,082	-	4,150,823	11,488,037	20%
	4,262,898,005	36,212,087	189,464,165	(757,000)	4,487,817,257	1,501,048,798	145,929,758	(529,342)	1,646,449,214	2,841,368,043	

PROPERTY, PLANT AND EQUIPMENT - continued
Operating property, plant and equipment
For comparative year ended June 30, 2018

PARTICULARS	COST / REVALUED AMOUNTS					DEPRECIATION CHARGE				NET BOOK VALUE		RATE
	As at June 30, 2017	Additions	Transfers from capital work-in- progress	Disposals	As at June 30, 2018	Accumulated as at June 30, 2017	For the year	Accumulated on disposals	Accumulated as at June 30, 2018	As at June 30, 2018		
Rupees												
Owned assets:												
Land - freehold (note 4.1.2)	67,350,000	-	-	-	67,350,000	-	-	-	-	-	67,350,000	
Buildings on freehold land: (note 4.1.2)												
- Factory building	444,121,929	4,036,000	-	-	448,157,929	144,409,962	15,019,232	-	159,429,194	288,728,735	5%	
- Residential building	105,437,171	-	-	-	105,437,171	32,301,871	3,656,765	-	35,958,636	69,478,535	5%	
	549,559,100	4,036,000	-	-	553,595,100	176,711,833	18,675,997	-	195,387,830	358,207,270		
Plant and machinery including												
generators (note 4.1.3)	3,141,181,382	20,577,237	233,525,059	-	3,395,283,678	1,059,827,441	110,353,830	-	1,170,181,271	2,225,102,407	5%	
Power grid station	100,516,512	-	-	-	100,516,512	49,462,221	2,552,715	-	52,014,936	48,501,576	5%	
Gas installations	18,739,816	-	-	-	18,739,816	4,662,235	703,879	-	5,366,114	13,373,702	5%	
Electric installations	64,640,947	301,300	-	-	64,942,247	43,036,579	2,178,443	-	45,215,022	19,727,225	10%	
Factory equipments	4,291,614	439,479	-	-	4,731,093	783,197	376,478	-	1,159,675	3,571,418	10%	
Office equipments	4,482,752	128,200	-	-	4,610,952	2,159,863	234,472	-	2,394,335	2,216,617	10%	
Computer equipments	1,522,786	625,000	-	(200,940)	1,946,846	918,792	354,718	(104,185)	1,169,325	777,521	33%	
Telephone installations	564,224	52,000	-	-	616,224	402,806	18,308	-	421,114	195,110	10%	
Furniture and fittings	1,178,936	-	-	-	1,178,936	864,969	31,397	-	896,366	282,570	10%	
Arms and ammunition	27,800	-	-	-	27,800	21,269	653	-	21,922	5,878	10%	
Weighing scale	2,476,075	-	-	-	2,476,075	544,328	193,175	-	737,503	1,738,572	10%	
Tube well	45,000	-	-	-	45,000	35,471	953	-	36,424	8,576	10%	
Vehicles	40,201,276	1,617,400	-	(6,492,950)	35,325,726	26,524,205	2,690,144	(4,704,129)	24,510,220	10,815,506	20%	
	3,996,778,220	27,776,616	233,525,059	(6,693,890)	4,251,386,005	1,365,955,209	138,365,162	(4,808,314)	1,499,512,057	2,751,873,948		
Leased assets:												
Vehicles	1,078,740	10,433,260	-	-	11,512,000	35,958	1,500,783	-	1,536,741	9,975,259	20%	
	3,997,856,960	38,209,876	233,525,059	(6,693,890)	4,262,898,005	1,365,991,167	139,865,945	(4,808,314)	1,501,048,798	2,761,849,207		

4.1.1 Depreciation for the year has been allocated as follows:

	Notes	2019 Rupees	2018 Rupees
Cost of sales	31	137,155,069	131,378,704
Administrative expenses	35	8,774,689	8,487,241
		145,929,758	139,865,945

PROPERTY, PLANT AND EQUIPMENT - continued

4.1.2 The land is located at M. M. Road, Chowk Sarwar Shaheed, District Muzaffargarh, measuring 134.70 Kanals (16.84 Acres) with building having covered area of 272,239 (2018: 269,412) square feet.

4.1.3 Costs of plant and machinery include borrowing costs capitalized during the year amounting to nil (2018: Rs. 2,805 million @ 7.65% to 8.98% per annum).

4.1.4 Revaluation of freehold land, building on freehold land and plant and machinery was carried out on June 26, 2016 by an independent valuer (M/s Iqbal A. Nanjee & Co. (Pvt.) Ltd., Karachi). Revaluation surplus on land and building amounting to Rs. 51,914 million had been credited to surplus on revaluation of property, plant and equipment, net of related deferred tax. Impairment of Rs. 77.133 million on plant and machinery had been recognized against existing surplus on revaluation of plant and machinery. The revaluations were carried out as detailed below:

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

4.1.5 Basis used for revaluation of assets were as follows:

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

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

4.1.6 The Forced Sales Values of the revalued assets as on the date of latest revaluation i.e. June 26, 2016 were as follows:

Particulars	Forced Sales Values as per valuation dated June 26, 2016
	Rupees
Land	53,880,000
Building	315,047,955
Plant and machinery including generators	1,609,663,810

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

	2019	2018
	Rupees	Rupees
Freehold land	1,834,237	1,834,237
Buildings on freehold land	117,654,325	118,980,026
Plant and machinery including generators	1,907,255,399	1,785,699,977
	2,026,743,961	1,906,514,240

4.1.8 Property, plant and equipment have restrictions on title as these are subject to charges to secure bank borrowings as mentioned in note 21 and note 25.4.

4.2 Capital work-in-progress

Opening balance	401,751	78,484,725
Additions during the year	189,062,414	155,442,085
Transfers to operating property, plant and equipment	(189,464,165)	(233,525,059)
Closing balance	-	401,751

	<u>Notes</u>	<u>2019</u> <u>Rupees</u>	<u>2018</u> <u>Rupees</u>
5. INVESTMENT PROPERTY			
Land - at cost			
Opening balance		43,311,500	-
Acquisition	5.1	-	43,311,500
Closing balance		43,311,500	43,311,500

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

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

6. INTANGIBLE ASSETS

Computer Software

Cost:

Opening Balance	1,430,092	1,430,092
Purchased during the year	-	-
Closing balance	1,430,092	1,430,092

Accumulated amortization:

Opening Balance	(1,021,357)	(735,339)
Amortization charge for the year	(286,018)	(286,018)
Closing balance	(1,307,375)	(1,021,357)

Book value as on June 30

	122,717	408,735
Rate of amortization	20%	20%

7. LONG TERM DEPOSITS

Security deposits against:

Utilities	7.1	4,622,377	4,622,377
Assets subject to finance lease		1,885,400	1,079,800
Others		555,000	435,000
		7,062,777	6,137,177
Margin deposit against bank guarantee	7.2	6,200,000	6,200,000
		13,262,777	12,337,177

7.1 These include security deposits of Rs. 4.590 million (2018: Rs. 4.590 million) deposited with Multan Electric Power Company (MEPCO) against Electric Connections at mills.

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

	Notes	2019 Rupees	2018 Rupees
8. LONG TERM INVESTMENT			
Amortized cost:			
Sales Tax Refund Bonds	8.1 & 13	17,700,000	-
Profit for the year		137,014	-
		17,837,014	-
8.1	These represent the Sales Tax Refund Bonds received by the Company in its Central Depository Company (CDC) account, against sales tax refunds under section 67A of the Sales Tax Act, 1990. These bear simple annual profit at the rate of 10% per annum payable on maturity of three years.		
9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		31,136,145	29,703,675
Spare parts		29,067,268	21,547,795
Loose tools		902,750	703,874
Less: allowance for obsolescence and slow moving items	9.1	(165,474)	(130,703)
		60,940,689	51,824,641
9.1 Allowance for obsolescence and slow moving items			
Opening balance		130,703	101,180
Add: Provision made during the year	31	34,771	29,523
Closing balance		165,474	130,703
10. STOCK-IN-TRADE			
Raw material	31.1	634,847,304	413,093,382
Work-in-process	31	73,290,934	52,969,655
Finished goods	31	400,422,104	403,706,435
		1,108,560,342	869,769,472
Stock-in-trade has been measured at lower of cost and net realizable value. Adjustments amounting to nil (2018: Rs. 2.849 million) have been made to closing inventory to write down stocks to their net realizable value.			
11. TRADE DEBTS			
Considered good			
Foreign - secured against letters of credits (LCs)		5,871,884	28,930,213
Local - unsecured		475,661,842	364,976,893
	11.1	481,533,726	393,907,106

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

Year	Total	Neither past due nor impaired (less than 90 days)	Past due but not impaired		
			90-180 days	180-365 days	1 to 2 Years
	Rupees				
2019	481,533,726	467,956,703	5,868,107	3,424,513	4,284,403
2018	393,907,106	389,117,267	912,325	28,281	3,849,233

	<u>Notes</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
12. LOANS AND ADVANCES - considered good			
Advance payments:			
To employees			
Executives / key management personnel	12.1	-	1,015,000
Others		718,264	214,968
		718,264	1,229,968
To suppliers		20,313,711	5,388,349
Income tax		90,749,017	52,428,392
Letters of credits		6,570	16,728
		111,787,562	59,063,437
12.1 The maximum aggregate amount due from executives / key management personnel at any month end during the year was Rs. 1.312 million (2018: Rs. 1.095 million). These advances were not impaired and aged less than one year.			
13. DUE FROM GOVERNMENT			
Sales tax	8.1 & 32	27,018,156	26,131,849
Income tax		30,516,050	52,636,072
Duty Drawback of taxes on export sales		241,589	18,303,929
		57,775,795	97,071,850
14. OTHER RECEIVABLES			
Provisional payments of taxes	14.1	2,472,623	1,374,279
Others	14.2	3,636,882	4,028,615
		6,109,505	5,402,894
14.1 This comprises of following:			
Demand for income tax - tax year 2012	28.2	374,279	374,279
Demand for Sales tax - various periods	29.1.4	198,344	-
Payments under the Duty and Tax Remission on Exports (DTRE) scheme	29.1.2 & 29.1.2	1,900,000	1,000,000
		2,472,623	1,374,279
14.2 These include a demand draft of Rs. 3.576 million (2018: Rs. 3.576 million) paid to Excise and Taxation Department as mentioned in note 29.1.1.			
15. SHORT TERM INVESTMENTS			
At fair value through profit or loss			
The Company holds 4,000 (2018: 4,000) shares of a listed company (Lalpir Power Limited).			
The face value of all shares is Rs. 10 per share. These shares have been valued at the market price prevailing on Pakistan Stock Exchange Limited as at the reporting date. During the year, unrealized loss of Rs. 0.025 million (2018: Rs. 0.005 million) on remeasurement of these investments was recorded in other operating expenses.			

	Notes	2019 Rupees	2018 Rupees
16. CASH AND BANK BALANCES			
Cash in hand		312,993	1,312,713
Cash at banks - in current accounts		16,452,250	18,164,856
	40.2	16,765,243	19,477,569
17. SHARE CAPITAL			
Authorized share capital:			
20,000,000 (2018: 20,000,000) ordinary shares of Rs. 10 each.		200,000,000	200,000,000
Issued, subscribed and paid up share capital:			
14,408,248.8 (2018: 14,408,248.8) ordinary shares of Rs. 10 each issued for cash.		144,082,488	144,082,488
17.1 There is no movement in share capital during the reporting years.			
17.2 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally.			
18. SHARE PREMIUM			
This includes share premium received during the previous years as detailed below:			
Rs. 4 per share on 2,989,920 ordinary shares of Rs. 10 each issued during the year 2001		11,959,680	11,959,680
Rs. 10 per share on 1,138,992 ordinary shares of Rs. 10 each issued during the year 2004		11,389,920	11,389,920
Rs. 5 per share on 1,879,336.8 ordinary shares of Rs. 10 each issued during the year 2007		9,396,684	9,396,684
		32,746,284	32,746,284
19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
19.1 As detailed in note 4.1.4, revaluation of freehold land, building on freehold land and plant and machinery was carried out on June 26, 2016. The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders of the Company.			
19.2 The breakup of revaluation surplus at the reporting date is as follows:			
Opening balance		773,129,285	805,470,486
Less: Transferred to unappropriated profit on account of:			
Incremental depreciation		(35,380,677)	(36,997,736)
Relevant deferred tax		4,673,611	4,656,535
		(30,707,066)	(32,341,201)
Closing balance		742,422,219	773,129,285

	<u>Notes</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
20. SUBORDINATED LOANS			
<i>Unsecured- from related parties</i>			
Mr. Muhammad Javed Anwar		27,500,000	27,500,000
Mr. Muhammad Haris		35,000,000	35,000,000
Mr. Muhammad Parvez	20.2	-	27,500,000
Mr. Muhammad Jahanzaib	20.2	6,875,000	-
Mr. Muhammad Aurangzeb	20.2	6,875,000	-
Mr. Ahmad Hassan	20.2	6,875,000	-
Mrs. Faiza Parvez	20.2	3,437,500	-
Mrs. Waheeda Parvez	20.2	18,437,500	15,000,000
	20.1	105,000,000	105,000,000

20.1 These interest free loans were obtained during the years ended June 30, 2008 and 2009. These loans are subordinated to finances from the banks. These are repayable at the discretion of the Company after the repayments of related long term and short term finances and clearance from the banks. Hence, repayment terms are not identified. These are not measured at amortized cost. Rather, these are treated as equity at face value in accordance with the guideline provided through TR 32 - Accounting Directors Loan issued by the Institute of Chartered Accountants of Pakistan.

20.2 During the year, on demise of the chief executive (Mr. Muhammad Parvez), the loan has been transferred to his legal heirs through succession by court.

21. LONG TERM LOANS AND FINANCING
From banking companies - secured

Name of the Bank / Type of Facility	2019 Rupees	2018 Rupees	Collaterals / Securities	Total no. of installments	Remaining no. of installments	Frequency of payment	Repayment commencing from	Rate of markup
Habib Bank Limited (HBL)								
Demand Finance	10,571,430	21,142,858	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	48	12	Monthly	27-Jul-16	Average of 6 Months KIBOR + 1.50%
	10,571,430	21,142,858						
Allied Bank Limited (ABL)								
LTFF I - Part 1	25,809,144	34,412,194	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	12	6	Semi Annual	23-Dec-16	SBP Rate + 3.00%
LTFF I - Part 2 (A)	20,799,178	26,741,800		12	7	Semi Annual	7-Mar-17	
LTFF I - Part 2 (B)	945,819	1,261,093		12	6	Semi Annual	2-Dec-16	
LTFF 2	123,770,537	148,038,926		12	10	Semi Annual	24-Oct-18	
	171,324,678	210,454,013						
United Bank Limited (UBL)								
Demand Finance (NIDF)	22,455,465	33,683,198	- Joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	12	4	Semi Annual	24-Dec-15	6 Months KIBOR + 1.50%
LTFF	16,316,800	22,843,520		10	5	Semi Annual	15-Jan-17	SBP Rate + 3.00%
	38,772,265	56,526,718						
Bank Alfalah Limited (BAFL)								
LTFF	5,656,830	16,970,494	- 1st exclusive charge over specific machinery and joint pari passu charge on present and future fixed assets of the Company. - Personal guarantees of working directors of the Company. - Subordination of loans from related parties.	20	2	Quarterly	5-Mar-15	SBP Rate + 2.50%
Term Finance (TF1)	7,997,942	23,993,827		20	2	Quarterly	5-Mar-15	6 Months KIBOR + 1.50%
Term Finance (TF2)	18,432,960	28,966,080		20	7	Quarterly	5-Jun-16	6 Months KIBOR + 1.50%
	32,087,732	69,930,401						

LONG TERM LOANS AND FINANCING - continued

Name of the Bank / Type of Facility	2019 Rupees	2018 Rupees	Collaterals / Securities	Total no. of installments	Remaining no. of installments	Frequency of payment	Repayment commencing from	Rate of markup
Bank Al Habib Limited (BAHL)								
Term Finance - III	4,672,092	23,360,462	- First exclusive charge over specific machineries and allied parts and joint pari passu charge on present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Promissory notes.	20	1	Quarterly	16-Nov-14	Average of 6 Months KIBOR + 1.50%
Term Finance - V	-	17,750,000		20	-	Quarterly	21-Aug-14	
Term Finance - VI	4,050,000	12,150,000		20	2	Quarterly	17-Mar-15	
Term Finance - VII	2,343,916	2,557,000		24	22	Quarterly	17-Feb-19	
Term Finance - VIII	24,203,084	27,443,000		24	21	Quarterly	28-Dec-18	
Term Finance - X (note 21.2)	12,048,400	-		36	32 to 34	Monthly	25-Mar-19	
	47,317,492	83,260,462						
National Bank of Pakistan (NBP)								
Demand Finance	14,964,719	18,485,831	- Joint Pari Passu charge on fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company.	24	17	Quarterly	09-Nov-17	Average of 6 Months KIBOR + 1.50%
Demand Finance - II (note 21.2)	166,044,917	-		24	24	Quarterly	07-Apr-20	
LTFF	49,830,310	60,320,902		24	19	Quarterly	7-May-18	
	230,839,946	78,806,733						
Soneri Bank Limited								
LTFF	111,428,578	130,000,000	- Joint pari passu charge over present and future fixed assets of the Company. - Personal Guarantees of sponsoring directors of the Company. - Subordination of loans from related parties.	14	12	Semi Annual	15-Jul-18	SBP Rate + 3.00%
	111,428,578	130,000,000						

TOTAL FINANCES

Less: Current portion classified under current liabilities (note 26)

LONG TERM FINANCES	492,597,908	(149,744,213)
	642,342,121	650,121,185

21.1 Effective rate of mark up ranged from 3.50% to 12.48% (2018: 3.50% to 8.53%) per annum.

21.2 During the year, the Company has availed these finances for import of weaving machinery and allied parts.

		2019	2018
22.	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Notes	
	From banking company - secured		
		Rupees	Rupees
	Opening balance	9,329,663	1,032,228
	Availed during the year	4,028,000	9,744,000
	Less: Payments made during the year	(2,847,828)	(1,446,565)
		10,509,835	9,329,663
	Less: Current portion	(3,489,135)	(2,293,703)
	Installment due within next twelve months	7,020,700	7,035,960
		26	

22.1 The Company acquired vehicles under finance lease arrangements from banking companies. These liabilities, during the year, were subject to finance cost charged at the rate ranging from 8.90% to 16.13% (2018: 8.20% to 12.74%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease term. The lease finance facilities are secured against postdated cheques given by the Company.

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

	2019		2018	
	Minimum Lease Payments	Present Value of Minimum Lease Payments	Minimum Lease Payments	Present Value of Minimum Lease Payments
	----- Rupees -----			
Within one year	4,542,645	3,489,135	3,069,000	2,293,703
After one year but not later than five years	7,592,895	7,020,700	7,819,243	7,035,960
	12,135,540	10,509,835	10,888,243	9,329,663
Less: Finance cost allocated to future periods	(1,625,705)	-	(1,558,580)	-
Present value of minimum lease payments	10,509,835	10,509,835	9,329,663	9,329,663
Less: Current portion	(3,489,135)	(3,489,135)	(2,293,703)	(2,293,703)
	7,020,700	7,020,700	7,035,960	7,035,960
			2019	2018
			Rupees	Rupees

23. DEFERRED TAXATION - net

The net deferred taxation liability comprises of tax on temporary differences arising due to:

Credit balance arising in respect of:

- Accelerated tax depreciation allowances and surplus on revaluation of property, plant and equipment	260,810,069	243,820,764
- Exchange gain	170,946	-
- Profit on Sales Tax Refund Bonds	18,099	-

Debit balance arising in respect of:

- Unused tax losses	(3,694,639)	(17,598,191)
- Minimum tax paid in excess of normal tax	(42,425,063)	(20,130,399)
- Provisions	(921,194)	(16,450)
	213,958,218	206,075,724

23.1 The rate of corporate tax has remained unchanged (2018: reduced by 1%). The change in deferred tax liability due to change in future tax rates amounts to nil (2018: Rs. 7.800 million).

	Notes	2019 Rupees	2018 Rupees
24. TRADE AND OTHER PAYABLES			
Creditors		489,582,778	216,145,994
Accrued liabilities	24.1	168,499,382	176,096,480
Advances from customers - unsecured		5,780,867	5,226,547
Taxes deducted at source		10,456,682	3,426,400
Workers' Profit Participation Fund	24.2	6,808,249	3,435,549
Workers' Welfare Fund	24.3	280,575	280,575
		681,408,533	404,611,545
24.1 These include Rs. 1.012 million (2018: Rs. 0.475 million) being salary payable to chief executive and directors, Rs. 1.001 million (2018: Rs. 0.711 million) being salary payable to executives / key management personnel and Rs. 0.250 million (2018: Rs. 0.250 million) payable to a director in respect of head office rent.			
24.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		3,435,549	503,444
Add: Allocation for the year	36	6,808,249	3,435,549
Interest on Workers' Profit Participation Fund	37	125,280	17,296
		10,369,078	3,956,289
Less: Payment made during the year		(3,560,829)	(520,740)
		6,808,249	3,435,549
24.3 Workers' Welfare Fund			
Balance at the beginning of the year		280,575	280,575
Add: Provision for the year		-	-
		280,575	280,575
Less: Payment made during the year		-	-
		280,575	280,575
25. SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES			
From banking companies - Secured			
Short term running finances	25.1 & 40.2	279,985,896	234,904,661
Short term finances (other than running finances)	25.1	820,814,769	763,157,777
Export finances	25.2 & 25.3	37,900,000	56,600,000
	25.3 & 25.4	1,138,700,665	1,054,662,438
25.1 Short term finance facilities available from commercial banks under markup arrangements aggregate to Rs. 1,757.013 million (2018: Rs. 1,658.830 million) of which facilities aggregating Rs. 656.212 million (2018: Rs. 660.767 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 7.67% to 15.30% (2018: 6.90% to 8.53%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2020 except for facilities from Bank Al Habib Limited which are valid till March 31, 2021.			
25.2 The Company has obtained export finance facilities (including facilities for foreign currency finances and foreign bills purchased) from commercial banks aggregating to Rs. 1,147.987 million (2018: Rs. 1,180.000 million) of which facilities aggregating Rs. 1,110.087 million (2018: Rs. 1,123.400 million) remained unutilized at the year end. These facilities, during the year, carried markup at the rates ranging from 7.16% to 14.99% (2018: 1.90% to 7.16%) per annum. These facilities are expiring, if not renewed, on various dates by March 31, 2020 except for facilities from Bank Al Habib Limited which are valid till March 31, 2021. Moreover, out of total facilities, facilities amounting Rs. 200.000 million from Meezan Bank Limited have expired on March 31, 2019 renewal of which is under process.			

SHORT TERM FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES - continued

25.3 Facilities available for issuance of letters of credit, inland bills purchases and bank guarantees aggregate to Rs. 574.000 million (2018: Rs. 925.170 million) of which facilities aggregating Rs. 486.450 million (2018: Rs. 597.098 million) remained unutilized at year end. These facilities are expiring, if not renewed, on various dates by March 31, 2020 except for facilities from Bank Al Habib Limited which are valid till March 31, 2021.

25.4 The aggregate facilities are secured against pledge of stocks, ranking charge and joint pari passu charge on present and future current and fixed assets of the Company, lien on import/export documents, buy back indemnities, promissory notes, counter guarantees of the company, trust receipts, subordination of loans from related parties and personal guarantees of sponsoring directors of the Company along with their personal net worth statements. The carrying value of pledged goods as on June 30, 2019 as valued by the banks is Rs. 918.682 million (2018: Rs. 726.368 million).

	<u>Notes</u>	<u>2019 Rupees</u>	<u>2018 Rupees</u>
26. CURRENT PORTION OF NON-CURRENT LIABILITIES			
<i>Long term loans and financing - form banking companies - secured:</i>			
Habib Bank Limited		10,571,430	10,571,424
Allied Bank Limited		39,615,052	39,129,335
Bank Alfalah Limited		24,187,893	37,842,668
Bank Al Habib Limited		18,113,720	48,181,826
National Bank of Pakistan		20,930,242	14,011,703
Soneri Bank Limited		18,571,422	18,571,422
United Bank Limited		17,754,454	17,754,454
	21	149,744,213	186,062,832
<i>Liabilities against assets subject to finance lease - secured</i>	22	3,489,135	2,293,703
		153,233,348	188,356,535
27. ACCRUED FINANCE COST - secured			
Long term loans and financing		14,399,170	10,368,271
Short term finances		38,140,820	21,883,793
		52,539,990	32,252,064
28. PROVISION FOR TAXATION			
Opening Balance		31,838,391	22,785,891
Add: Provision made during the year	38	70,795,589	31,838,391
Add : Prior year adjustment	38.1	9,723,083	83,574
Payments / adjustments against completed assessments		(41,561,474)	(22,869,465)
Closing balance		70,795,589	31,838,391

28.1 The Deputy Commissioner Inland Revenue, Multan passed an order dated June 30, 2017 under section 121(1)(d) of the Income Tax Ordinance, 2001 raising demand of Rs. 285.655 million for tax year 2011. During the year, the Company filed an appeal with the Commissioner Inland Revenue-Appeals (CIR-Appeals), Multan contending that the impugned order was barred by time limitation and was made ex-parte on the same date as the date of receipt of show cause notice. The CIR-Appeals annulled the impugned order and decided the case in favor of the Company through its order dated October 31, 2017. However, the Commissioner Inland Revenue (Multan Zone) did not accept the Order of CIR-Appeals and filed an appeal with the Appellate Tribunal Inland Revenue Lahore in February, 2018. The appeal is pending for adjudication and the Company expects favorable outcome. Accordingly, no provision has been made in these financial statements.

PROVISION FOR TAXATION - continued

- 28.2** During the year, the Additional Commissioner Inland Revenue passed an order for the tax year 2012 under section 122(5A) of the Income Tax Ordinance, 2001 and raised a demand of Rs. 3.743 million by disallowing the claim of tax credit under section 65B of the Income Tax Ordinance, 2001 against the minimum and final tax liabilities of the Company. The Company filed an appeal with the Commissioner Inland Revenue (Appeals) dated May 14, 2018 and, in order to prevent the recovery of disputed amount by FBR, also paid Rs. 0.374 million being 10% of the raised demand as per section 140 of the Income Tax Ordinance, 2001. This amount has been classified in 'Other receivables' (note 14.1). During the year, the Commissioner Inland Revenue (Appeals) decided the case against the Company. The Company preferred an appeal with the Appellate Tribunal Inland Revenue, Lahore which is pending adjudication. The Company expects favorable outcome, hence, no provision has been made in these financial statements.
- 28.3** The Company received a notice under section 177(1) of the Income Tax Ordinance, 2001 from Commissioner Inland Revenue dated May 23, 2018 regarding audit of tax year 2016, the proceedings of which are in process.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

- 29.1.1** During the previous years, the Excise and Taxation Department Karachi imposed infrastructure cess/excise duty of Rs. 7.153 million on account of machinery imported by the Company. The Company did not accept it and filed a suit in Sindh High Court, Karachi against said levy. In 2013, on the basis of interim order passed by Sindh High Court, a bank guarantee amounting to Rs. 3.576 million had been given by the Company in favor of the Director Excise and Taxation, Karachi. The Company also paid a demand draft of Rs. 3.576 million (50% of the disputed amount) to Excise and Taxation Department. The amount of demand draft is classified as 'Other receivables' in these financial statements (note 14.2).

In another similar case, the company has given a bank guarantee of Rs. 7.200 million (2018: Rs. 7.200 million) to the Director Excise and Taxation, Karachi against disputed amount of infrastructure Cess for release of imported goods. The decision of Sind High Court on Infrastructure cess is pending. The Company expects favorable decision and has not accounted for any liability in this regard.

- 29.1.2** In 2017, the Collectorate of Customs, Multan - Audit Cell conducted the post exportation audit of documents submitted regarding DTRE approval reference 14/10012015 and raised demand of Rs. 6.833 million in its report. The Company contested the case with the Collectorate of (Customs) Adjudication. During the year, the Collectorate of (Customs) Adjudication passed an Order for recovery of Rs. 5.159 million along with default surcharge, additional duties and taxes. The Company had filed an appeal before the Appellate Tribunal (Customs) Lahore dated November 01, 2017, which is pending adjudication. During the year, the Collectorate of Customs, Multan took coercive action and blocked NTN of the Company by demanding a payment of Rs. 2.820 million. The Company paid this amount provisionally under protest including post-dated cheques of Rs. 0.920 million subject to the condition that on decision of Appeal in favor of the Company, this amount will be refunded to the Company. The amount paid has been classified in 'Other receivables' (note 14.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.

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

Contingencies - continued

29.1.4 During the year, the Deputy Commissioner Inland Revenue (DCIR) issued a show cause notice to the Company regarding evasion of sales tax, further tax and undue adjustment of inadmissible input tax on account of sales/purchases from unregistered/blacklisted persons during the period from 2013 to 2016. The Company contested the case through its legal counsel. However, dissatisfied with the reply and evidences provided by the Company, the DCIR made order against the Company to raise a demand of Sales tax and further tax amounting to Rs. 1.983 million as well as penalty of Rs. 0.108 million. The Company did not accept the order and filed an appeal with the Commissioner Inland Revenue (Appeals) dated January 11, 2019. Moreover, in order to prevent the recovery of disputed amount by FBR, the Company also paid Rs. 0.198 million being 10% of the raised demand as per section 140 of the Income Tax Ordinance, 2001. This amount has been classified in 'Other receivables' (note 14.1). The Company expects favorable outcome and hence has not accounted for any liability in these financial statements in this regard.

29.1.5 As mentioned in note 7.2, bankers of the Company have given guarantees to SNGPL amounting to Rs. 74.346 million (2018: Rs. 74.346 million) on behalf of the Company.

29.1.6 Refer to contents of the note 28.1, note 28.2 and note 28.3.

29.1.7 The Company issued various postdated cheques in favor of Collector of Customs, Multan against the amount of Sales Tax, Customs Duty and Income Tax on import of cotton yarn, chemical, packing material under Duty and Tax Remission for Exports (DTRE) Scheme. These cheques will be returned to the Company after complying with the formal requirements. Moreover, The Company also issued postdated cheques in favor of Federal Board of Revenue as advance tax. Detail is as follows:

	2019 Rupees	2018 Rupees
Collector of Customs as security	206,121,514	205,637,494
Collector of Customs as provisional payment (note 29.1.2)	920,192	-
Federal Board of revenue as advance tax for tax year 2020	5,813,008	-
	212,854,714	205,637,494

29.2 Commitments

29.2.1 Aggregate amount of contractual commitments for capital expenditure are as follows:

Letters of credits	-	82,539,520
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29.2.2 The Company's commitments other than capital expenditure; against letter of credit outstanding as at June 30, 2019 amount to Rs. 2.427 million (2018: Rs. 5.417 million).

29.2.3 Foreign bills discounted outstanding as at June 30, 2019 aggregated Rs. 106.021 million (2018: Rs. 181.206 million).

30. SALES - NET	Notes	2019	2018
		Rupees	Rupees
<i>Local sales - gross:</i>			
Yarn		1,544,738,784	781,434,098
Fabric		1,642,529,667	942,947,483
Waste		133,087,303	105,339,957
Cotton seed		69,403,014	79,375,164
Processing income		1,219,061	2,214,750
		3,390,977,829	1,911,311,452
<i>Less: sales tax</i>			
Fabric		-	(46,963)
Waste		(3,627)	-
Cotton seed		(369,593)	(376,364)
		(373,220)	(423,327)
<i>Local sales - net</i>		3,390,604,609	1,910,888,125
<i>Export sales:</i>			
Yarn		1,700,009,005	1,016,701,398
Fabric		2,183,380,194	2,251,411,729
	30.1 & 30.2	3,883,389,199	3,268,113,127
		7,273,993,808	5,179,001,252
30.1	Export sales include sales of Rs. 3,202.810 million (2018: Rs. 2,320.660 million) made through Standardized Purchase Orders.		
30.2	Gain aggregating Rs. 4.321 million - net (2018: Rs. 2.499 million - net) upon realization of foreign currency export debtors has been grouped under export sales.		
31. COST OF SALES			
Raw material consumed	31.1	5,685,429,276	3,844,332,667
Salaries, wages and other benefits	31.2	313,345,034	308,301,660
Stores and spare parts consumed		74,988,291	65,120,779
Allowance for obsolete and slow moving items	9.1	34,771	29,523
Packing materials consumed		49,223,564	45,613,159
Chemicals consumed		47,212,287	43,232,669
Rent, rates and taxes		1,800,000	136,839
Processing charges		303,430	304,612
Power and fuel		496,962,540	515,544,436
Repair and maintenance		12,447,830	16,235,867
Insurance		12,342,362	12,371,268
Other manufacturing expenses		49,770	192,603
Depreciation on operating property, plant and equipment	4.1.1	137,155,069	131,378,704
		6,831,294,224	4,982,794,786
<i>Adjustment of work-in-process:</i>			
Opening stock		52,969,655	56,457,359
Closing stock	10	(73,290,934)	(52,969,655)
		(20,321,279)	3,487,704
<i>Cost of goods manufactured</i>		6,810,972,945	4,986,282,490
<i>Adjustment of finished goods:</i>			
Opening stock		403,706,435	288,169,158
Closing stock	10	(400,422,104)	(403,706,435)
		3,284,331	(115,537,277)
		6,814,257,276	4,870,745,213

	Notes	2019 Rupees	2018 Rupees
31.1 Raw material consumed			
Opening stock		413,093,382	549,833,172
Purchases including direct expenses			
Outside purchases		5,533,253,168	3,347,620,031
Cost transferred from ginning factory	31.1.1	370,680,837	356,829,870
Cotton cess		3,249,193	3,142,976
Purchases including direct expenses		5,907,183,198	3,707,592,877
		6,320,276,580	4,257,426,049
Less: Closing stock	10	(634,847,304)	(413,093,382)
		5,685,429,276	3,844,332,667

31.1.1 Cost transferred from ginning factory

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

Raw material consumed	357,880,365	344,567,121
Salaries, wages and other benefits	3,714,727	6,302,427
Stores and spare parts consumed	1,690,247	1,020,271
Lease charges	452,964	546,903
Power and fuel	3,436,088	2,790,906
Vehicles running and maintenance	332,419	194,984
Printing, stationery and communication	82,420	107,383
Repair and maintenance	1,298,145	974,806
Insurance	1,743,226	187,161
Others	50,236	137,908
Transferred to spinning section	370,680,837	356,829,870

31.1.2 During the year, for better presentation, the Company has made the operations of ginning factory a part of the spinning section. Accordingly, the corresponding information of comparative year has been rearranged. The detailed effect of such rearrangement has been given in note 50.

31.2 These include Rs. 12.558 million (2018: Rs. 11.982 million) in respect of staff gratuity.

32. OTHER INCOME

Income from financial assets:

Profit on Sales Tax Refund Bonds	8.1 & 13	137,014	-
Dividend Income		4,000	8,301
Duty Drawback of taxes on export sales		317,329	19,213,059
Mark-up on security deposit with SNGPL		-	1,729,676
Gain on exchange rate fluctuation - net		1,294,112	-
		1,752,455	20,951,036

Others:

Gain on disposal of property, plant and equipment		262,342	2,495,424
Others		449,300	-
		2,464,097	23,446,460

	Notes	2019 Rupees	2018 Rupees
33. LOSS ON TRADING			
Local sale of yarn and fabric		985,600	5,840,207
Less: purchase and related expenses		(1,000,445)	(6,112,459)
		(14,845)	(272,252)
34. DISTRIBUTION COST			
Salaries, wages and other benefits	34.1	4,586,021	2,818,433
Commission on:			
Local sales		31,696,624	19,377,381
Export sales		11,722,050	16,044,861
Freight, forwarding and others on export sales		5,702,729	17,117,000
Export development surcharge		1,759,373	2,452,382
Foreign bank charges and other export expenses		5,599,853	6,651,638
		61,066,650	64,461,695
34.1 These include Rs. 0.583 million (2018: Rs. 0.429 million) in respect of staff gratuity.			
35. ADMINISTRATIVE EXPENSES			
Directors' meeting fee	42.1	30,500	22,700
Directors' remuneration		11,200,000	6,000,000
Staff salaries and other benefits	35.1	28,639,690	24,150,611
Vehicles running and maintenance		6,905,755	5,736,611
Utilities		1,237,356	824,093
Travelling and conveyance		4,355,386	1,309,908
Printing and stationery		328,899	435,967
Communication		1,687,729	1,473,158
Rent, rates and taxes	35.2	3,075,000	3,075,000
Repair and maintenance		970,980	704,183
Insurance		297,480	234,298
Entertainment		1,855,362	2,160,727
Fees and subscription		3,699,643	1,498,873
Advertisement		149,720	155,775
Depreciation on operating property, plant and equipment	4.1.1	8,774,689	8,487,241
Amortization of intangible assets	6	286,018	286,018
Auditor's remuneration	35.3	932,000	1,073,625
Legal and professional charges		877,925	918,980
Others		521,362	512,917
		75,825,494	59,060,685
35.1 These include Rs. 1.787 million (2018: Rs. 1.492 million) in respect of staff gratuity.			
35.2 These include Rs. 3.000 million (2018: Rs. 3.000 million) paid to directors against rent of Head Office.			
35.3 Auditor's remuneration			
Annual audit		682,500	525,000
Half yearly review		157,500	157,500
Taxation services		31,500	383,250
Certification		10,500	7,875
Out of pocket expenses		50,000	-
		932,000	1,073,625

	Notes	2019 Rupees	2018 Rupees
36. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	24.2	6,808,249	3,435,549
Workers' Welfare Fund		-	368,153
Unrealized loss on remeasurement short term investments		24,840	5,240
Loss on disposal of short term investments		-	8,805
Exchange rate fluctuation loss - net		-	1,337,195
Charity and donation	36.1	70,800	50,800
		6,903,889	5,205,742
36.1 Donations were not made to any donee in which the Company, a director or his/her spouse had any interest at any time during the year.			
37. FINANCE COST			
Mark-up on:			
Long term loans and financing		51,145,449	40,577,647
Short term finances		131,010,890	91,877,661
Liabilities against assets subject to finance lease	22.1	1,182,992	594,985
Interest on Workers' Profit Participation Fund	24.2	125,280	17,296
Bank charges and bank guarantee commission		5,568,407	4,727,258
		189,033,018	137,794,847
38. TAXATION			
Current taxation:			
Minimum tax payable on local sales		42,394,878	23,959,104
Final tax on exports realization		38,833,892	32,681,131
		81,228,770	56,640,235
Tax credits under section 65B of Income Tax Ordinance, 2001		(10,433,181)	(24,801,844)
	28	70,795,589	31,838,391
Prior year adjustment	38.1	9,723,083	6,031,704
Deferred taxation - net	23	7,882,494	16,918,900
		88,401,166	54,788,995
38.1 This comprises the adjustment regarding amendment of assessment for prior years.			
38.2 Relationship between tax expense and accounting profit before tax			
The provision for current taxation represents the minimum tax and final tax liabilities under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared and presented.			
39. EARNINGS PER SHARE		2019	2018
39.1 Basic			
Profit after taxation	Rupees	40,955,567	10,118,283
Weighted average number of ordinary shares	No.	14,408,248.8	14,408,248.8
Earnings per share	Rupees	2.84	0.70
39.2 Diluted			
There is no dilutive effect on the basic earnings per share of the Company.			

40. CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2019	2018
		Rupees	Rupees
Profit before taxation		129,356,733	64,907,278
Adjustments for:			
Depreciation on property, plant and equipment	4.1.1	145,929,758	139,865,945
Amortization of intangible assets	6	286,018	286,018
Allowance for obsolescence and slow moving items	9.1	34,771	29,523
Provision for Workers' Profit Participation Fund	24.2	6,808,249	3,435,549
Provision for Workers' Welfare Fund	24.3	-	368,153
Duty drawback of taxes on export sales	32	(317,329)	(19,213,059)
Gain on disposal of property, plant and equipment	32	(262,342)	(2,495,424)
Dividend Income	32	(4,000)	(8,301)
Profit on sales tax refund bonds	32	(137,014)	-
Mark-up on security deposit with SNGPL	32	-	(1,729,676)
Loss on disposal of investments	36	-	8,805
Unrealized loss on remeasurement of short term investments	36	24,840	5,240
Exchange rate fluctuation (gain) / loss - net	32 & 36	(1,294,112)	1,337,195
Finance cost	37	189,033,018	137,794,847
		340,101,857	259,684,815
Cash flows before working capital changes		469,458,590	324,592,093
Working capital changes:			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(9,150,819)	(10,954,603)
Stock-in-trade		(238,790,870)	24,690,217
Trade debts		(86,332,508)	(144,128,013)
Loans and advances (excluding advance income tax)		(14,403,500)	18,220,905
Due from Government - sales tax		(18,586,307)	18,410,032
Other receivables		(706,611)	(1,062,900)
Increase in current liabilities:			
Trade and other payables (excluding provision for Workers' Profit Participation Fund and provision for Workers' Welfare Fund)		273,424,288	178,443,082
		(94,546,327)	83,618,720
CASH GENERATED FROM OPERATIONS		374,912,263	408,210,813

40.1 Reconciliation of liabilities arising from financing activities

Liabilities from financing activities (2019)	June 30, 2018	Cash flows	Non-cash changes	June 30, 2019
	Rupees			
Unclaimed dividend	3,019,542	(17,794,774)	18,010,310	3,235,078
Long term finances - net	650,121,185	(7,779,064)	-	642,342,121
Finance leases liabilities	9,329,663	(2,847,828)	4,028,000	10,509,835
Short term finances excluding running finances - net	819,757,777	38,956,992	-	858,714,769
Total liabilities from financing activities	1,482,228,167	10,535,326	22,038,310	1,514,801,803
Liabilities from financing activities (2018)	June 30, 2017	Cash flows	Non-cash changes	June 30, 2018
	Rupees			
Unclaimed dividend	3,019,542	-	-	3,019,542
Long term finances - net	639,531,379	10,589,806	-	650,121,185
Finance leases liabilities	1,032,228	(1,446,565)	9,744,000	9,329,663
Short term finances excluding running finances - net	901,080,648	(81,322,871)	-	819,757,777
Total liabilities from financing activities	1,544,663,797	(72,179,630)	9,744,000	1,482,228,167

		2019	2018
	Notes	Rupees	Rupees
40.2 Cash and cash equivalents at end of the year			
Cash and bank balances	16	16,765,243	19,477,569
Short term running finances	25	(279,985,896)	(234,904,661)
		(263,220,653)	(215,427,092)

41. RELATED PARTY TRANSACTIONS

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

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

Relationship	Nature of transaction		
Associated Undertaking	- Sale of cotton seed	69,403,014	78,998,800
Associated Undertaking	- Lease rental against ginning factory	452,964	546,903
Directors	- Rent of head office	3,000,000	3,000,000
Directors	- Dividend paid	8,903,938	-
Executives / KMP	- Advances (received) / given - net	(1,015,000)	694,605
Executives / KMP	- Sale of vehicle	-	1,050,000

41.2 Maximum aggregate amount due from the associated undertaking at any month end during the year was Rs. 25.422 million (2018: Rs. 22.022 million).

41.3 No interest was charged on the associated undertaking's balances during the year as these arose due to normal business dealings. Outstanding balances with related parties at year end have been disclosed in note 12 and note 24.1.

41.4 Remuneration and benefits to chief executive, directors, and executives / key management personnel under the term of their employment are disclosed in note 42.

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

Remuneration of chief executive, directors and executives / key management personnel has been included in Staff salaries and benefits (note 31, 34 and 35). Detail is given below:

	Notes	2019		2018	
		Rupees	No. of persons	Rupees	No. of persons
Managerial remuneration:					
Chief executive		2,400,000	1	3,000,000	1
Ex-Chief executive		1,800,000	1	-	-
Directors		7,000,000	2	3,000,000	1
	35	11,200,000		6,000,000	
Executives / key management personnel:					
Managerial remuneration		12,015,000	12	9,937,000	10
Bonus		1,059,500	12	653,392	10
Retirement benefits		1,259,500	12	860,500	10
		14,334,000		11,450,892	

42.1 Meeting fee amounting to Rs. 0.031 million (2018: Rs. 0.023 million) was paid to three (2018: two) non-executive directors. The chief executive, two (2018: one) director and six (2018: seven) executives / key management personnel are provided with the Company maintained cars. No other remuneration or benefits were paid to non-executive directors.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

43.1 Financial instruments by category

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an approximate mix between various sources of finance to minimize risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Category wise detail of financial instruments is as follows:

<i>Financial assets as per statement of financial position</i>	<i>Notes</i>	2019 Rupees	2018 Rupees
<i>At amortized cost:</i>			
Long term deposits	7	13,262,777	12,337,177
Long term investment	8	17,837,014	-
Trade debts	11	481,533,726	393,907,106
Advances	12	718,264	1,229,968
Other receivables	14	6,109,505	5,402,894
Cash and bank balances	16	16,765,243	19,477,569
<i>At fair value through profit or loss:</i>			
Short term investments	15	52,000	76,840
		536,278,529	432,431,554
<i>Financial liabilities as per statement of financial position</i>			
<i>At cost / amortized cost:</i>			
Subordinated loans	20	105,000,000	105,000,000
Long term financing	21	642,342,121	650,121,185
Liabilities against assets subject to finance lease	22	10,509,835	9,329,663
Trade and other payables	24	675,627,666	399,384,998
Unclaimed dividend		3,235,078	3,019,542
Short term finances	25	1,138,700,665	1,054,662,438
Accrued finance cost	27	52,539,990	32,252,064
		2,522,955,355	2,148,769,890

Financial Risk Management

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

43.2 Credit risk and concentration of credit risk

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

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. Out of the total financial assets of Rs. 536.279 million (2018: Rs. 432.432 million) the financial assets which are subject to credit risk amounted to Rs. 535.966 million (2018: Rs. 431.119 million). The management monitors and limits the Company's exposure to credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

Credit risk and concentration of credit risk - continued

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

	2019 Rupees	2018 Rupees
Financial assets		
Long term deposits	13,262,777	12,337,177
Long term investment	17,837,014	-
Trade debts	481,533,726	393,907,106
Advances	718,264	1,229,968
Other receivables	6,109,505	5,402,894
Short term investments	52,000	76,840
Bank balances	16,452,250	18,164,856
	535,965,536	431,118,841

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

Credit rating	Bank Balances	Short term Investments
June 30, 2019:	Rupees	
A-1+	4,142,514	-
A1+	12,309,603	52,000
A1	133	-
	16,452,250	52,000
June 30, 2018:		
A-1+	16,968	-
A1+	18,147,888	76,840
	18,164,856	76,840

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

43.2.1 Credit risk related to receivables

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

At June 30, 2019, the Company has 19 local customers that owed more than Rs. 7.840 million each (2018: 13 customers that owed more than Rs. 7.722 million each) and work out to approximately 88% (2018: 86%) of local trade debts. The maximum exposure to credit risk at the reporting date is the carrying values of receivables mentioned in note 11 and advances to employees as mentioned in note 12.

The Company does not hold collateral as security against local debtors. However, most of the foreign debtors are secured against letters of credit. The ageing analysis of trade debts is given in note 11.1.

43.3 Liquidity risk management

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

The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 25, is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Liquidity risk management - continued

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

	Interest / markup bearing			Non-Interest / markup bearing			Total
	Maturity within 1 year	Maturity after 1 year	Sub-total	Maturity within 1 year	Maturity after 1 year	Sub-total	
June 30, 2019	Rupees						
Financial liabilities							
Long term financing	149,744,213	492,597,908	642,342,121	-	-	-	642,342,121
Liabilities against assets subject to finance lease	3,489,135	7,020,700	10,509,835	-	-	-	10,509,835
Trade and other payables	-	-	-	675,627,666	-	675,627,666	675,627,666
unclaimed dividend	-	-	-	3,235,078	-	3,235,078	3,235,078
Short term finances	1,138,700,665	-	1,138,700,665	-	-	-	1,138,700,665
Accrued finance cost	-	-	-	52,539,990	-	52,539,990	52,539,990
	1,291,934,013	499,618,608	1,791,552,621	731,402,734	-	731,402,734	2,522,955,355
June 30, 2018							
Financial liabilities							
Long term financing	186,062,832	464,058,353	650,121,185	-	-	-	650,121,185
Liabilities against assets subject to finance lease	2,293,703	7,035,960	9,329,663	-	-	-	9,329,663
Trade and other payables	-	-	-	399,384,998	-	399,384,998	399,384,998
unclaimed dividend	-	-	-	3,019,542	-	3,019,542	3,019,542
Short-term finances	1,054,662,438	-	1,054,662,438	-	-	-	1,054,662,438
Accrued finance cost	-	-	-	32,252,064	-	32,252,064	32,252,064
	1,243,018,973	471,094,313	1,714,113,286	434,656,604	-	434,656,604	2,148,769,890

43.4 Market risk management

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

43.4.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations, liabilities against finance leases and long term debts having floating interest rates.

43.4.2 Interest rate sensitivity

If interest rates had been increased / decreased by 10% in basis points and all other variables were held constant, the Company's profit before taxation for the year ended June 30, 2019 would increase / decrease by Rs. 18.334 million (2018: Rs. 13.305 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

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

43.4.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at June 30, 2019, the total foreign currency risk exposure was Rs. 5.872 million (2018: Rs. 28.930 million) in respect of foreign trade debts and Rs. 2.888 million (2018: Rs. 4.349 million) were payable in respect of foreign currency payables. Moreover, commitments in respect of letters of credit amount to Rs. 2.427 million (2018: Rs. 87.957 million).

43.4.4 Foreign currency sensitivity analysis

At June 30, 2019, if the Pakistani Rupee had strengthened / weakened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been increased / decreased by Rs. 0.149 million (2018: Rs. 1.229 million). Profit before tax is less sensitive to movement in Rupee / foreign currency exchange rates in year 2019 than in year 2018 due to lesser foreign currency exposure as compared to last year.

43.4.5 Equity price risk management

The Company is exposed to equity price risk since it has investments in listed equity securities amounting to Rs. 0.052 million (2018: Rs. 0.077 million).

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

44. DETERMINATION OF FAIR VALUES

44.1 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

44.2 Fair value estimation

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

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

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

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

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

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

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

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

The carrying amounts of the financial assets and financial liabilities as at the reporting date approximate their fair values. As at June 30, 2019, all financial assets and financial liabilities are carried at cost / amortized cost except for short term investments which are carried at their fair values determined in accordance with level-1 of the fair value hierarchy.

45. CAPITAL DISCLOSURE

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

- The Company is not subject to any externally imposed capital requirements.
- The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and bank balances. Adjusted capital comprises all components of equity plus net debt.
- The debt-to-adjusted capital ratios at June 30, 2019 and June 30, 2018 were as follows:

	2019 Rupees	2018 Rupees
Total debt	1,896,552,621	1,819,113,286
Less: Cash and bank balances	(16,765,243)	(19,477,569)
Net debt	1,879,787,378	1,799,635,717
Total equity	1,840,936,884	1,817,991,627
Adjusted capital	3,720,724,262	3,617,627,344
Debt-to-adjusted capital ratio	0.51	0.50

46. SEGMENT REPORTING

46.1 Reportable segments

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

The Company's reportable segments are as follows:

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

During the year, the Company has restructured the composition of its reportable segments and made Ginning Section a part of Spinning Segment. Accordingly, the corresponding information of comparative year for spinning segment has been restated. Previously, Ginning Section was reported as a separate segment. For detail, refer to note 31.1 and note 50.

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

46.2 Segment revenue and results

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

Notes	Spinning		Weaving		Total	
	2019	2018 (restated)	2019	2018	2019	2018
	Rupees		Rupees		Rupees	
Sales - net						
External	3,428,723,247	1,966,085,583	3,845,270,561	3,212,915,669	7,273,993,808	5,179,001,252
Inter-segment	3,252,020	764,055,380	-	-	-	-
Total	3,431,975,267	2,730,140,963	3,845,270,561	3,212,915,669	7,273,993,808	5,179,001,252
Cost of sales - excluding inter-segment purchase	(3,233,750,656)	(2,518,867,040)	(3,580,506,620)	(2,351,878,173)	(6,814,257,276)	(4,870,745,213)
Inter-segment purchase	-		(3,252,020)	(764,055,380)	-	-
	(3,233,750,656)	(2,518,867,040)	(3,583,758,640)	(3,115,933,553)	(6,814,257,276)	(4,870,745,213)
Gross profit	198,224,611	211,273,923	261,511,921	96,982,116	459,736,532	308,256,039
Other income	400,129	13,068,094	2,063,968	10,378,366	2,464,097	23,446,460
(Loss) / profit on trading	-	-	(14,845)	(272,252)	(14,845)	(272,252)
Distribution cost	(25,010,798)	(24,623,620)	(36,055,852)	(39,838,075)	(61,066,650)	(64,461,695)
Administrative expenses	(37,718,070)	(32,752,778)	(38,107,424)	(26,307,907)	(75,825,494)	(59,060,685)
Other operating expenses	(812,921)	(2,172,997)	(6,090,968)	(3,032,745)	(6,903,889)	(5,205,742)
Finance cost	(120,982,642)	(88,098,837)	(68,050,376)	(49,696,010)	(189,033,018)	(137,794,847)
Profit / (loss) before tax	14,100,309	76,693,785	115,256,424	(11,786,507)	129,356,733	64,907,278
Taxation						
- Current	(37,660,220)	2,323,818	(33,135,369)	(34,162,209)	(70,795,589)	(31,838,391)
- Prior year adjustments	(4,861,218)	(3,057,639)	(4,861,865)	(2,974,065)	(9,723,083)	(6,031,704)
- Deferred	9,939,521	2,638,505	(17,822,015)	(19,557,405)	(7,882,494)	(16,918,900)
	(32,581,917)	1,904,684	(55,819,249)	(56,693,679)	(88,401,166)	(54,788,995)
(Loss) / Profit after taxation	(18,481,608)	78,598,469	59,437,175	(68,480,186)	40,955,567	10,118,283

SEGMENT REPORTING - continued

46.3 Segment assets and liabilities

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

[illegible]

SEGMENT REPORTING - continued
46.4 Revenue from major products and services

	2019 Rupees	2018 Rupees
Fabric export sales	2,183,380,194	2,251,411,729
Yarn export sales	1,700,009,005	1,016,701,398
Fabric local sales	1,642,529,667	942,900,520
Yarn local sales	1,544,738,784	781,434,098
Waste local sales	133,083,676	105,339,957
Cotton seed local sales	69,033,421	78,998,800
Revenue from manufacturing	7,272,774,747	5,176,786,502
Revenue from processing	1,219,061	2,214,750
	7,273,993,808	5,179,001,252
Revenue from trading	985,600	5,840,207
Total revenue	7,274,979,408	5,184,841,459

46.5 Revenue from major customers

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

Spinning	2,728,803,824	608,032,368
Weaving	3,558,041,020	2,959,475,489

Revenue from one (2018: one) of the customers from weaving segment of the Company exceeded 14.57% (2018: 10.80%) of the Company's total revenue and amounted to Rs. 1,059.854 million (2018: Rs. 559.475 million).

47. GEOGRAPHICAL INFORMATION

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

Pakistan - local sales	3,390,593,922	1,916,728,332
Pakistan - indirect exports	3,202,810,390	2,320,660,116
America	46,796,539	29,961,140
Asia	492,994,753	519,599,069
Europe	141,783,804	397,892,802
	7,274,979,408	5,184,841,459

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

48. NUMBER OF EMPLOYEES

	2019	2018
Employees of the Company as at June 30	645	586
Average number of employees during the year	631	545

49. CAPACITY AND PRODUCTION

Yarn

Number of spindles installed		28,152	28,152
Installed capacity after conversion into 20's count (1,095 shifts (2018: 1,095 shifts))	Kgs	10,668,135	10,215,541
Actual production of yarn after conversion into 20's count	Kgs	10,545,780	9,507,324

Fabric

Number of looms installed		219	191
Number of looms worked		219	176
Installed capacity after conversion into 60 picks	Sq. mtrs	76,617,097	50,999,687
Actual production of fabric after conversion into 60 picks	Sq. mtrs	55,471,200	48,517,130

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

50. CORRESPONDING FIGURES

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

<u>Previous classification</u>	<u>Current classification</u>	2018 Rupees
<u>Cost of sales (note 32)</u>	<u>Raw material consumed (note 31.1)</u>	
Raw material consumed	Raw material consumed	344,567,121
Salaries, wages and other benefits	Salaries, wages and other benefits	2,770,483
Stores and spare parts consumed	Stores and spare parts consumed	142,770
Packing materials consumed	Stores and spare parts consumed	877,501
Rent, rates and taxes	Lease charges	546,903
Power and fuel	Power and fuel	2,790,906
Repair and maintenance	Repair and maintenance	827,266
Insurance	Insurance	142,087
		352,665,037
<u>Administrative expenses (note 36)</u>	<u>Raw material consumed (note 31.1)</u>	
Staff salaries and other benefits	Salaries, wages and other benefits	3,531,944
Vehicles running and maintenance	Vehicles running and maintenance	194,984
Printing and stationery	Printing , stationery and communication	33,883
Communication	Printing , stationery and communication	73,500
Repair and maintenance	Repair and maintenance	147,540
Insurance	Insurance	45,074
Entertainment	Others	65,837
Fees and subscription	Others	45,281
Legal and professional charges	Others	8,100
Others	Others	18,690
		4,164,833
		356,829,870



51. SUBSEQUENT EVENTS

51.1 The Board of Directors in its meeting held on September 25, 2019 discussed the option to maintain spinning and weaving units as separate legal entities for better management and control and resolved to appoint the corporate and legal consultants to initiate the related working in this regard.

51.2 The Board of Directors, in its meeting held on September 25, 2019, proposed a cash dividend of Rs. 1.25 per share for the year ended June 30, 2019 for approval of the members at the Annual General Meeting of the Company, to be held on October 19, 2019.

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

52. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 25, 2019 by the Board of Directors of the Company.

53. GENERAL

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



PATTERN OF SHAREHOLDING

As on:- 30-Jun-2019

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
128	1 -	100	6,450	0.04
413	101 -	500	188,861	1.31
92	501 -	1000	60,555	0.42
46	1001 -	5000	93,514	0.65
4	5001 -	10000	23,540	0.16
3	10001 -	15000	34,730	0.24
1	20001 -	25000	24,500	0.17
2	45001 -	50000	99,435	0.69
1	60001 -	65000	64,000	0.44
1	65001 -	70000	70,000	0.49
1	70001 -	75000	71,400	0.50
1	80001 -	85000	83,593	0.58
2	150001 -	155000	300,431	2.09
1	255001 -	260000	260,000	1.80
1	300001 -	305000	303,996	2.11
1	350001 -	355000	350,565	2.43
2	430001 -	435000	864,000	6.00
1	445001 -	450000	450,000	3.12
1	455001 -	460000	455,221	3.16
2	500001 -	505000	1,004,485	6.97
1	505001 -	510000	509,000	3.53
1	580001 -	585000	582,277	4.04
1	635001 -	640000	637,729	4.43
1	800001 -	805000	804,540	5.58
3	835001 -	840000	2,517,834	17.47
1	910001 -	915000	913,009	6.34
1	1060001 -	1065000	1,062,063	7.37
1	2570001 -	2575000	2,572,520	17.85
714			14,408,248	100.00

Categories of Shareholders as per Code of Corporate Governance

As at June 30, 2019

Number of Shareholders	Shareholders Category	Number of shares held	Percentage of Total Capital
	Associated Companies, undertaking and related parties(name wise details)	NILL	NILL
	Benevolent Fund		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	2,933	0.0204
		2,933	0.0204
	Directors, Chief Executive and their spouse(s) and minor children(name wise details)		
	MIAN MOHAMMAD JAVED ANWAR	521,400	3.6188
	MUHAMMAD AURENGZEB	1,271,278	8.8233
	MUHAMMAD HARIS	2,572,520	17.8545
	SALMA JAVED	804,540	5.5839
	WAHEEDA PARVEZ	1,062,063	7.3712
	MUHAMMAD JAHANZAIB	1,294,499	8.9844
7	NAZIR AHMAD KHAN	2,573	0.0179
		7,528,873	52.2540
	Financial Institutions		
1	NATIONAL BANK OF PAKISTAN	5,013	0.0348
		5,013	0.0348
	Joint Stock Companies		
	ADAM LUBRICATS LIMITED.	500	0.0035
	PRUDENTIAL SECURITIES LIMITED	50	0.0003
	MAPLE LEAF CAPITAL LIMITED	1	0.0000
	CONTINENTAL CAPITAL MANAGEMENT (PVT) LTD	50	0.0003
	CAPITAL VISION SECURITIES PVT LIMITED	75	0.0005
6	S.Z. SECURITIES (PRIVATE) LIMITED	632	0.0044
		1,308	0.0090
	Mutual Fund		
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	913,009	6.3367
	NIT & ICP		
1	INVESTMENT CORP. OF PAKISTAN	200	0.0014
	Pension Fund		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	83,593	0.5802
	General Public		
696	Local	5,873,319	40.7636
	Foreign	-	-
		5,873,319	40.7636
714	TOTAL	14,408,248	100

Shareholders holding five percent or more voting interest

SALMA JAVED	804,540	5.58
MUHAMMAD HARIS	2,572,520	17.85
WAHEEDA PARVAIZ	1,062,063	7.37
MUHAMMAD AURANGZEB	1,271,278	8.82
MUHAMMAD JAHANZAIB	1,294,499	8.98
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	913,009	6.34

Trade in shares by Directors,CEO,CFO,Company Secretary, Executives and their Spouses and Minor Children

Sr #	Name	Designation	Number of Shares	
			Purchased	Sold
1	MUHAMMAD HARIS	DIRECTOR		276,513
2	MUHAMMAD JAHANZAIB	DIRECTOR	1,000	

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FORM OF PROXY

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

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

WITNESSES:

1. Signature _____

2. Signature _____

Name _____

Name _____

Address _____

Address _____

CNIC Number _____

CNIC Number _____

CDC Account Number _____

Five Rupees
Revenue Stamp

To be signed by above-named shareholder

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting.
2. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of CNIC of the appointer and the proxy-holder shall be furnished with the Proxy Form.
4. The proxy-holder shall produce his original CNIC at the time of meeting.
5. In case of corporate entity, the Board of Directors' resolution / Power of Attorney with specimen signature shall be submitted along with Proxy Form.





Electronic Dividend Mandate Form

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

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

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

Name of shareholder _____

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

Contact number of shareholder _____

Title of Account _____

IBAN (*) _____

Name of Bank _____

Bank branch _____

Mailing Address of Branch _____

CNIC No. (attach attested copy) _____

NTN (in case of corporate entity) _____

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

Shareholder's Signature

Date

NOTES:

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