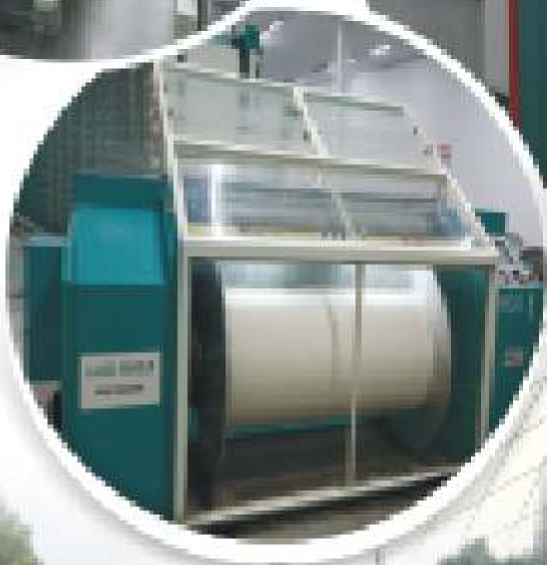
NAGINA

NAGINA GROUP

Prosperity Weaving Mills Ltd.



ANNUAL REPORT 2019

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
	Mr. Hasan Ahmed	Independent Non Executive Director
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Non-Executive Director
	Mr. Amin Ellahi Shaikh	Non-Executive Director
	Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Non-Executive Director
	Mr. Tariq Zafar Bajwa	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Raza Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Hasan Ahmed	Chairman
	Mr. Amin Ellahi Shaikh	Member
	Mr. Haroon Shahzada Ellahi Shaikh	Member
	Mr. Syed Mohsin Gilani	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Hasan Ahmed	Chairman
	Mr. Haroon Shahzada Ellahi Shaikh	Member
	Mr. Tariq Zafar Bajwa	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaukat Ellahi Shaikh	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Haroon Shahzada Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
CORPORATE SECRETARY	Mr. Syed Mohsin Gilani	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Tariq Sheikh	
HEAD OF INTERNAL AUDIT	Mr. Kashif Saleem	
AUDITORS	Messrs Deloitte Yousuf Adil. Chartered Accountants	
CORPORATE ADVISORS	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. Meezan Bank Ltd. MCB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARES REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	13.5 K.M Sheikhupura Sharaqpur Road Sheikhupura	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of members of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 25, 2019 at 11:00 a.m. to transact the following business: -

ORDINARY BUSINESS

1) To confirm minutes of the Annual General Meeting held on October 26, 2018.

2) To receive, consider and adopt Audited Financial statement of the Company together with the Chairman's Review Report, Directors' and Auditors' reports thereon for the year ended June 30, 2019.

3) To approve and declare final dividend as recommended by the Board of Directors.

4) To appoint Auditors for the year ending on June 30, 2020 and fix their remuneration.

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

A statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is annexed.

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore: September 26, 2019

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 19, 2019 to Friday, October 25, 2019 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Friday, October 18, 2019 will be in time to be passed for payment of dividend to the transferee(s).

2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.

3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.

4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

5) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and Notification S.R.O. 831(I)/2012 dated July 5, 2012.

   Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

6) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

In case of non-receipt of above information, the dividend shall be withheld.

7) The financial statements for the year ended June 30, 2019 shall be uploaded on the Company's website www.nagina.com twenty one days prior to the date of holding of annual general meeting.

8) Pursuant to SECP Notification S.R.O. 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.

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

10) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.

11) Members are requested to promptly notify the Company of any change in their registered address.

12) IMPORTANT:

   a) Pursuant to the provisions of the Finance Act, 2019 effective from July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

i)	Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL.	15%
ii)	Rate of Withholding Income Tax deduction for the persons whose names are not appearing on ATL.	30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on “Filer/ Non-Filer” status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint-holder(s).

b) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd.,1st Floor H.M. House, 7-Bank Square, Lahore.

c) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor H.M. House, 7-Bank Square, Lahore for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017.

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (u/s 199 of the Companies Act, 2017) on October 28, 2015. The Company has not made any investment under the resolution. Following is the status:

a. Total investment approved.	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Ellcot Spinning Mills Ltd. (ESML)
b. Amount of investment made to date:	Nil
c. Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	No deviation from approved timeline has occurred rather due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2018-19.
d. Material change in Financial Statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	See table below

	Present Financial Position as on June, 30, 2019		Financial Position at the time of approval as on June 30, 2015	
	NCML	**ESML**	NCML	ESML
	Rupees in Millions			
Net sales	**6,932.310**	**6,346.642**	4,208.114	4,588.788
Gross Profit	**832.426**	**640.754**	389.233	291.992
Profit / (Loss) before tax	**361.126**	**167.489**	148.032	90.206
Profit / (Loss) after tax	**308.620**	**204.769**	133.689	54.299

Vision:

To be the market leader by being the best and providing the best.

Mission:

Being one of the leading manufacturers of high quality greige fabric for apparel and home furnishing, we are committed to high quality product and customer satisfaction.

Our mission is to continually improve our products and services for our worldwide customers and to provide a better return to our shareholders.

We believe in keeping our production facilities equipped with the modern technologies by continuous upgrading to be competitive in the markets.

We strive towards building long-term and better relationship with our suppliers.

We care for our employees by providing them a healthy and safe working environment and opportunity for growth through learning and experience.

We do have a social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

Control Union Certifications B.V.
Meeuwenlaan 4-6, 8011 BZ, Zwolle, Netherlands
[illegible]
www.controlunion.com

CERTIFICATE OF COMPLIANCE

[illegible]

Certificate No: [illegible]
Registration No: [illegible]

[illegible]

Nagina Group
[illegible] Road
[illegible]
Lahore [illegible]
Pakistan

[illegible]
Global Recycled Standard (GRS) [illegible]

[illegible]

Yarns, Fabrics

[illegible]

Spinning, Dyeing, [illegible], Trading, Weaving

[illegible]
[illegible]
[illegible]
[illegible]

[illegible] [illegible] [illegible]

[illegible], Zwolle

[illegible]

On behalf of the Managing Director
[illegible]

[illegible]

CONTROLUNION

Control Union Certifications B.V.

[illegible]

CERTIFICATE OF COMPLIANCE

Nagina Group

Pakistan

CONTROLUNION

Control Union Certifications B.V.
Meeuwenlaan 4-6, 8011 BZ, Zwolle, Netherlands
+31 38 4260100
www.controlunion.com

CERTIFICATE OF COMPLIANCE

[illegible]

Certificate No. [illegible]
Registration No. [illegible]

[illegible]

Nagina Group
[illegible]
[illegible]
Lahore [illegible]
Pakistan

[illegible]
Organic Content Standard (OCS) 3.0

[illegible]

Yarns, Fabrics

[illegible]

Knitting, Importing, Exporting, Trading, Weaving

[illegible]
[illegible]

[illegible]

[illegible]

On behalf of the Managing Director
[illegible]

[illegible]

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[illegible]

CERTIFICATE OF COMPLIANCE

Nagina Group
Lahore
Pakistan

Spinning, Exporting, Trading, Weaving

CONTROLUNION

AITEX
Instituto Tecnológico Textil
Plaza Emilio Sala, 1
03801 Alcoy (Alicante) España Spain

OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

PROSPERITY WEAVING MILLS LTD.
Nagina House, 91-B-1,
M.M. Alam Road, Gulberg III
54660 Lahore, PAKISTAN

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report [illegible]

for the following articles:

Greige woven fabric made of 100% cotton and its mixtures with polyester and elastane. Partly based on pre-certified material according to STANDARD 100 by OEKO-TEX®.

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 4, product class I have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 4 for baby articles.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, etc.), the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass) and of the Chinese standard GB 18401:2010 (labelling requirements were not verified).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate 2011PK0110 is valid until 31.07.2020

Alcoy, 11.07.2019

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Garcia
Chief of Innovation Area

CERTIFICATE

TÜV AUSTRIA

Management System as per
EN ISO 9001 : 2015

In accordance with TÜV AUSTRIA procedures, it is hereby certified that

PROSPERITY WEAVING MILLS LIMITED.
Head Office: [illegible] House M.M Alam Road Gulberg III,
LAHORE, PAKISTAN.
MILLS: [illegible] KM, Sheikhupura [illegible] Road [illegible],
TEHSIL & DISTRICT SHEIKHUPURA, PAKISTAN.

Applies a Quality Management System in line with the above Standard for the following Scope

MANUFACTURING AND EXPORTING OF FABRIC.

Certificate Registration no.: [illegible]

Valid until: [illegible]
Initial certification: [illegible]

[illegible]

Lahore: [illegible]

This certification was conducted in accordance with TÜV AUSTRIA auditing and certification procedures and is subject to regular surveillance audits.

TÜV AUSTRIA [illegible]
[illegible]
[illegible]
[illegible]

TÜV AUSTRIA
GROUP

REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES

The Board of Directors (the Board) of Prosperity Weaving Mills Limited (PWML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Code).

- The Board has actively participated in strategic planning process, enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making; and
- Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the Board and it Committee Meetings. The non- executive and independent directors are equally involved in important decisions of the board.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of PWML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.

Shahzada Ellahi Shaikh
Chairman

Lahore: September 26, 2019

بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے موثر کردار پر چیئرمین کی جائزہ رپورٹ

پراسپیریٹی ویونگ ملز لمیٹڈ (PWML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصص داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندہی سے انجام دی ہیں اور کمپنی کے امور کو موثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 میں دیئے گئے اپنے اختیارات اور ذمہ داران کو بخوبی سرانجام دیا ہے۔

- بورڈ نے اسٹرٹیجک منصوبہ بندی کے عمل اور ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ، اور مالیاتی ساخت کی نگرانی اور منظوری میں نمایاں طور پر حصہ لیا ہے۔
- سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کیے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔
- بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور/یا انٹرنل آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔
- بورڈ نے مجلس نظماء کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نظماء کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوئی اور مجلس نظماء کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد وضوابط کے مطابق ہے۔
- بورڈ نے چیف ایگزیکٹو سمیت دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، کمپنی سیکریٹری، اور انٹرنل آڈٹ کے سربراہ کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔
- بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو امور کے درمیان ذمہ داریوں کے بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے۔
- بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد وضوابط کی روشنی میں دئے گئے اختیارات کے مطابق اپنے اختیارات کو استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کے عمل میں تمام قابل اطلاق قوانین اور قواعد وضوابط کی تعمیل کو ترجیح دی ہے اور
- بورڈ اور اس کی ذیلی کمیٹی کی میٹنگ سے مناسب قبل از وقت ضروری ایجنڈا اور اس سے متعلق دستاویزات بورڈ میں پیش کیے گئے۔ نان ایگزیکٹیو اور آزاد ڈائریکٹرز بورڈ کے اہم فیصلوں میں برابر کے شریک ہیں۔

بورڈ کی سالانہ کارکردگی ہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹرٹیجک عمل، کلیدی کاروباری امور، سٹرٹیجک کی تکمیل، عالمی معاشی ماحول اور مسابقتی سیاق و سباق جس میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وقت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر یہ مناسب طور پر کہا جاسکتا ہے کہ PWML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جا سکتا ہے، بلکہ بورڈ اور اس کے ارکان کی راہنمائی اور نگرانی کے ذریعے انتظامیہ ٹیم کی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھایا جا سکتا ہے۔

شہزاد الٰہی شیخ

چیئرمین

26 ستمبر 2019

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honour to present 28th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2019. Figures for the previous year ended June 30, 2018 are included for comparison.

Financial Results

Alhamdulillah, your company has earned after tax profit of Rs. 210,034,441 or 2.95% of sales compared to Rs. 54,696,637 or 0.88% of sales during the last year. Earning per share (EPS) for the year is Rs. 11.37 compared to Rs. 2.96 for the last year. The year under review has been a volatile year. Pakistan rupee experienced a large devaluation against the USD. The State Bank of Pakistan raised the policy Interest rate to 13.25%. Inflation is on the rise due to which central bank is resorting to monetary tightening. The trade war between U.S.A and china has also impacted on global demand of fabric. However, inspite of these developments your company managed to earn a reasonable profit. Government policy of providing gas and electricity at competitive rates has helped in control of energy costs.

Sales revenue for the year is Rs. 7,112,276,334 compared to Rs. 6,212,431,041 showing 14.48% growth over the same period of last year. Increase in sales revenue is mainly due to combination of rupee depreciation against USD, improvement in price per meter sold and increase in sales volume. Cost of sales decreased from 94.28% of sales during the same period of last year to 90.06% of sales during the period under review. Increase in sales and decrease in cost of sales resulted increase in gross profit from 5.72% of sales during same period of last year to 9.94% of sales during the year under review.

Because of inflationary pressures and rupee devaluations, overall operating expenses increased by 23.13% over the same period of last year. Because of rising interest rates scenario cost of short term borrowings has risen manifold. Resultantly, finance cost of the Company increased by 25.66% over the same period of last year and stood at Rs. 181,506,968 compared to Rs. 144,441,167.

Capital Assets Investment

During the year under review, in line with strategic plans for achieving energy efficiency in power generation and enhancing weaving quality and efficiency, your Company has invested Rs.194,540,571 (2018: Rs.210,716,653) in the Expansion, Balancing, Modernization, Replacement (BMR) of building, plant and machinery and related assets.

Future Prospects and Outlook

Year under review has been a reasonably profitable year. In the next year, we foresee challenges in maintaining product margins. Government mandated rise in wages and salaries, rise in gas and electricity tariffs, significant rise in transportation costs, high finance costs due to very high interest rates are some of the head winds that may affect profitability. Pakistani rupee has appreciated against the USD resulting in slight reduction in rupee unit prices while Regional currencies are devaluing against the USD. This exchange rate movement may dilute the competitive advantage of Pakistan. Government has abrogated sales tax zero rating regime from 1st July, 2019 onwards. This policy shift is likely to have far reaching consequences and is likely to result in a larger share of the market for the tax registered and formal manufacturers. It is hoped that the transition of the Pakistan economy from informal to formal sectors will benefit our company. Product demand in local as well as export markets is encouraging. Management is optimistic that the year of 2019-20 would remain reasonably profitable but may not be as lucrative as is the year under review.

It is hoped that the Government would bring in business friendly policies such as uninterrupted energy supplies in cost effective manner, refund of outstanding sales tax, income tax and DLTL so that stretched corporate cash flows can be eased out. Government policies should encourage the completion of the value chain in the textile sector so that the country can export finished products.

Dividend

The Board of Directors have recommended cash dividend @ 40% i.e. Rs. 4/= per ordinary share for the year ended June 30, 2019. The dividend will amount to Rs. 73,920,000.

Principal Activity

The principal activity of the Company is manufacturing and sale of woven cloth.

Principal Risks and Uncertainties

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks.

The Company's principal financial liabilities, comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arise directly from its operations.

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

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

Material Changes and Commitments

No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

ISO 9001: 2015 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification valid until May 19, 2021. The quality control certification helps to build up trust of new and old customers.

Corporate Social Responsibility (CSR)

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. In line with our CSR policy, management helped in developing a school in the factory site to impart preliminary level education for children of factory workers as well as for the nearby community.

Environment, Health and Safety

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

Internal Financial Controls

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

Related Parties

All related party transactions during the financial year ended June 30, 2019 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved the Board of Directors.

Shareholding Pattern

The shareholding pattern as at June 30, 2019 for ordinary shares is annexed.

Appointment of Auditors

Messrs Deloitte Yousuf Adil, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as Auditors for the financial year 2019-20. The Audit Committee has recommended for re-appointment of present Auditors.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Deloitte Yousaf Adil, Chartered Accountants, the statutory external auditors of the Company.

Corporate Governance & Financial Reporting Framework

Further, Directors are pleased to report that:

a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

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

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

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no doubts upon the Company's ability to continue as a going concern.

g) Key operating and financial data for the last six years is annexed.

h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2019 except for those disclosed in the financial statements.

Composition of Board

Total number of Directors:

a)	Male:	9 (Nine)
b)	Female:	Exempted for current term

Composition:

(i)	Independent Directors:	1 (One)
(ii)	Other Non-Executive Directors	6 (Six)
(iii)	Executive Director	2 (Two)

Name of Directors

Mr. Shahzada Ellahi Shaikh, Chairman
Mr. Hasan Ahmed
Mr. Javaid Bashir Sheikh
Mr. Shafqat Ellahi Shaikh
Mr. Amin Ellahi Shaikh
Mr. Haroon Shahzada Ellahi Shaikh
Mr. Shaukat Ellahi Shaikh
Mr. Tariq Zafar Bajwa
Mr. Raza Ellahi Shaikh, Chief Executive Officer

Committees of the Board:

The Board has made following sub-committees:

Audit Committee

Mr. Hasan Ahmed	Chairman
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

Human Resource and Remuneration (HR&R) Committee

Mr. Hasan Ahmed	Chairman
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Tariq Zafar Bajwa	Member

Executive Committee

Mr. Shaukat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member

Significant Features of Directors' Remuneration

The Board of Directors has approved a formal policy for remuneration of executive and non-executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them.

The Chairman of the Board is paid remuneration as approved by the Board. Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

Acknowledgment

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the Company.

On behalf of the Board

Tariq Zafar Bajwa
Director

Shahzada Ellahi Shaikh
Chairman

Lahore: September 26, 2019

ممبران کے لئے مجلس نظماء کی رپورٹ

مجلس نظماء، 30 جون 2019 کو ختم ہونے والے سال کے لئے کمپنی کی 28 ویں سالانہ رپورٹ مع نظر ثانی شدہ مالیاتی حسابات اور اس پر محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔ 30 جون 2018 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

مالیاتی نتائج

الحمدللہ آپ کی کمپنی نے پچھلے سال کے دوران 54,696,627 روپے فروخت کا 0.88 فیصد کے مقابلے میں اس سال 210,034,441 روپے فروخت کا 2.95 فیصد بعد از ٹیکس منافع کمایا ہے۔ زیر جائزہ سال کی فی شیئر آمدنی (EPS) گزشتہ سال کے دوران 2.96 روپے کے مقابلے میں 11.37 روپے ہے۔ زیر جائزہ سال ایک غیر متحمل سال رہا ہے۔ پاکستانی روپے نے امریکی ڈالر کے مقابل بڑی کمی کا سامنا کیا۔ بینک دولت پاکستان نے پالیسی شرح سود 13.25 فیصد تک بڑھا دی ہے۔ افراط زر بڑھ رہا ہے جس کی وجہ سے مرکزی بینک اس سختی پر عمل کر رہا ہے۔ امریکہ اور چین کے درمیان تجارتی جنگ نے کپڑے کی عالمی طلب پر بھی اثرات ڈالے ہیں۔ تاہم ان چیلنجوں کے باوجود آپ کی کمپنی نے ایک معقول منافع کمایا ہے۔ مسابقتی قرضوں پر کم سود کی شرح اور کمپنی کی پالیسی نے توانائی کے اخراجات کے کنٹرول میں مدد کی ہے۔

اس سال کے لئے فروخت آمدنی 6,212,431,041 روپے کے مقابلے میں 7,112,276,334 روپے ہے جو گزشتہ سال کی اسی مدت سے 14.48 فیصد بہتری ظاہر کر رہی ہے۔ فروخت آمدنی میں اضافہ بنیادی طور پر امریکی ڈالر کے برعکس روپے کی قدر میں کمی، فی میٹر فروخت قیمت میں بہتری اور فروخت حجم میں اضافہ کا مشترکہ مجموعہ ہے۔ زیر جائزہ مدت کے دوران فروخت کی لاگت گزشتہ سال کی اسی مدت کی فروخت کی 94.28 فیصد سے کم ہو کر 90.06 فیصد ہو گئی۔ فروخت میں اضافہ اور فروخت کی لاگت میں کمی کے نتیجے میں گزشتہ سال کی اسی مدت کے دوران مجموعی منافع (GP) فروخت کے 5.72 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کا 9.94 فیصد ہو گیا۔

افراط زر کے دباؤ اور روپے کی قدر میں کمی کی وجہ سے مجموعی کاروباری اخراجات گزشتہ سال کی اسی مدت سے 23.13 فیصد تک زیادہ ہوئے۔ بڑھتی ہوئی سود کی شرحوں کے باعث مختصر مدتی قرضوں کی لاگت میں کافی اضافہ ہوا ہے۔ جس کے نتیجے میں کمپنی کی مالی لاگت گزشتہ سال کی اسی مدت سے 25.66 فیصد تک بڑھ گئی اور گزشتہ سال 144,441,167 روپے کے مقابلہ 181,506,968 روپے رہی۔

طویل مدتی اثاثوں کی سرمایہ کاری

زیر جائزہ سال کے دوران آپ کی کمپنی نے بجلی پیدا کرنے میں توانائی کے حصول اور پیداوار کی دائمی اور صلاحیت کو بڑھانے کے لئے مختلف منصوبوں کے مطابق عمارت، پلانٹ مشینری اور متعلقہ دیگر اثاثوں کی توسیع، توازن، جدت اور تبدیلی (BMR) کے لئے 194,540,571 روپے (2018: 210,716,553 روپے) کی سرمایہ کاری کی ہے۔

مستقبل کے امکانات اور نقطہ نظر

زیر جائزہ سال معقول طور پر منافع بخش رہا ہے۔ اگلے سال میں ہم مصنوعات کے منافع جات کو برقرار رکھنے میں مشکلات دیکھتے ہیں۔ حکومت کی طرف سے اجرتوں اور تنخواہوں میں اضافے کے احکامات، گیس اور بجلی کے نرخوں میں اضافے اور نقل و حمل کے اخراجات میں نمایاں اضافہ، بلند شرح سود کی وجہ سے مالی اخراجات میں اضافہ چند ایسے عوامل ہیں جو منافع کو متاثر کر سکتے ہیں۔ امریکی ڈالر کے برعکس روپے کی قدر میں اضافہ ہوا ہے جس کے نتیجے میں روپے یونٹ کی قیمتوں میں کمی ہوئی۔ تاہم علاقائی کرنسیاں بھی امریکی ڈالر کے مقابلے میں کم ہو رہی ہیں۔ پیٹرول، توانائی پاکستان کے مسابقتی فائدہ کو کم کر سکتی ہے۔ حکومت نے یکم جولائی 2019 سے سیلز ٹیکس زیرو ریٹنگ نظام منسوخ کر دیا ہے۔ اس پالیسی میں تبدیلی کے بہت زیادہ نتائج برآمد ہونے کا امکان ہے اور اس کے نتیجے میں ٹیکس ریفنڈز اور کی مینوفیکچررز کو مارکیٹ میں زیادہ حصہ دار بنائے گا۔ امید ہے کہ پاکستان کی معیشت کو غیر یقینی سے روکی شعبوں میں مشکل سے ہماری کمپنی کو فائدہ ہوگا۔ تاہم، درآمدی منڈیوں میں بھی مصنوعات کی طلب حوصلہ افزا ہے۔ انتظامیہ پر امید ہے کہ سال 2019-20 معقول حد تک منافع بخش رہے گا لیکن ایسا منافع بخش نہیں ہوگا جتنا زیر جائزہ سال ہے۔

یہ امید کی جاتی ہے کہ حکومت کاروبار میں دوستانہ پالیسیاں لائے گی جیسے کہ موثر لاگت میں بلا تعطل توانائی کی فراہمی، بقایا سیلز ٹیکس کی واپسی، کم ٹیکس اور DLTL تاکہ کاروبار کے نقدی بہاؤ کے تناؤ کو کم کیا جا سکے۔ حکومتی پالیسیاں ٹیکسٹائل سیکٹر میں ویلیو چین کی مکمل توسیع افزا ہونی چاہئیں تاکہ ملک تیار مصنوعات برآمد کر سکے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لئے حتمی منافع منقسمہ بشرح 40% یعنی 4 روپے فی حصص کی سفارش کی ہے۔ منافع منقسمہ کی رقم 73,920,000 روپے ہوگی۔

نمایاں سرگرمی

کمپنی کی نمایاں سرگرمی بُنے ہوئے کپڑے کی تیاری اور فروخت کرنا ہے۔

نمایاں خطرات اور غیر یقینی حالات

بورڈ آف ڈائریکٹرز کمپنی کے آپریشنز کی نگرانی اور خطرات کے کسی ممکنہ اثر کے سدباب کے لئے موثر حکمت عملی وضع کرنے کے ذمہ دار ہیں۔

کمپنی کی اصل مالی واجبات میں طویل مدتی قرضے، تجارتی اور دیگر قابل ادائیگیاں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی واجبات کا اہم مقصد کمپنی کے آپریشنز کے لئے فنانس کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی اثاثوں میں تجارتی وصولیاں، پیشگی ادائیگیاں، مختصر مدتی ڈپازٹس، دیگر وصولیاں اور نقدی اور بینک بیلنس شامل ہیں جو اس کے آپریشنز سے براہ راست موصول ہوتے ہیں۔

کمپنی کی سرگرمیوں کو کئی قسم کے مالیاتی خطرات کا سامنا ہے۔ جس میں مارکیٹ خطرہ (جس میں کرنسی خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور نقدی بہاؤ کا خطرہ شامل ہے۔

کمپنی کا مجموعی رسک مینجمنٹ پروگرام، مالیاتی مارکیٹوں کی غیر متوقعات پر توجہ مرکوز اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

اہم تبدیلیاں اور معاہدات

اس بیلنس شیٹ سے متعلقہ مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم تبدیلیاں یا معاہدات رونما نہیں ہوئے۔

ISO 900 :2015 سرٹیفکیشن

کمپنی کوالٹی کے اعلیٰ معیارات پر کام سرانجام دیتی ہے اور کمپنی نے 15 مئی 2021 تک کارآمد سرٹیفکیشن کے معیار کو حاصل کر رکھا ہے۔ یہ سرٹیفکیشن نئے اور پرانے کسٹمرز کے اعتماد کو فروغ دینے میں مدد کرتی ہے۔

کاروباری سماجی ذمہ داری

کمپنی اپنے کاروبار میں کاروباری سماجی ذمہ داری کے انضمام پر پختہ یقین رکھتی ہے اور روزگار مہیا کر کے ہمارے کاروبار سے براہ راست یا بالواسطہ طور پر متاثر ہونے والی کمیونٹیز کی ترقی کے لئے مسلسل کوشاں ہیں۔ ہماری سی ایس آر پالیسی کے مطابق انتظامیہ نے فیکٹری ورکرز اور مقامی کمیونٹی کے بچوں کی ابتدائی تعلیم کے لئے فیکٹری سائٹ میں سکول قائم کرنے میں مدد کی ہے۔

ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کو درپیش خطرات سے بچانے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنے تمام تنصیبات میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔

مشینری اور سامان میں پلانٹ پر کام کرنے والے ملازمین کا تحفظ ایک تشویش کی بات ہے۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کے نظام، کمپنی کی سائٹس کے ساتھ ساتھ اس کے رجسٹرڈ اور مرکزی دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشقیں کی جاتی ہیں۔

اندرونی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک نظام قائم اور نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مقاصد، آپریشنل موثریت اور کارکردگی کے حصول، قابل اعتماد مالیاتی رپورٹنگ اور قوانین و ضوابط اور پالیسیوں کی تعمیل کو یقینی بنانے کے لئے ڈیزائن میں مستحکم ہے۔

متعلقہ پارٹیاں

30 جون 2019 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ لین دین کا آڈٹ کمیٹی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آف ڈائریکٹرز سے منظور شدہ منتقلی قیمتوں کے طریقوں کے مطابق تھے۔

نمونہ حصص داری

30 جون 2019 کے مطابق ممبر شیئرز کے لئے نمونہ حصص داری منسلک کیا گیا ہے۔

آڈیٹرز کی تقرری

ریٹائر ہونے والے میسرز Deloitte یوسف عادل، چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی بنا پر مالی سال 2019-20 کے لئے بحیثیت آڈیٹرز دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ آڈٹ کمیٹی نے موجودہ آڈیٹرز کی دوبارہ تقرری کی منظوری دے دی ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات، کمپنی کے قانونی آڈیٹرز، میسرز Deloitte یوسف عادل چارٹرڈ اکاؤنٹنٹس کی طرف سے بنا کوالیفیکیشن کے آڈٹ شدہ ہیں۔

کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید ڈائریکٹرز خوشی بیان کرتے ہیں کہ

a۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات میں کمپنی کے امور، نقدی بہاؤ اور سرمائے میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

b۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

c۔ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

d۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

e۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

f۔ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

g۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

h۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو 30 جون 2019 کو بقایا ہوں سوائے ان کے جو مالی حسابات میں ظاہر کردیے گئے ہیں۔

بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد

a) مرد 9 (نو)

b) خاتون موجودہ مدت میں نہیں

ترتیب

i۔ آزاد ڈائریکٹرز 1 (ایک)

ii۔ دیگر نان ایگزیکٹو ڈائریکٹرز 6 (چھ)

iii۔ ایگزیکٹو ڈائریکٹرز 2 (دو)

ڈائریکٹرز کے نام

جناب شہزاد الٰہی شیخ چیئرمین

جناب حسن احمد

جناب جاوید بشیر شیخ

جناب شفقت الٰہی شیخ

جناب امین الٰہی شیخ

جناب ہارون شہزاد الٰہی شیخ

جناب شوکت الٰہی شیخ

جناب طارق ظفر باجوہ

جناب رضا الٰہی شیخ چیف ایگزیکٹو آفیسر

بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

- آڈٹ کمیٹی

جناب حسن احمد	چیئرمین
جناب امین الٰہی شیخ	رکن
جناب ہارون شہزاد الٰہی شیخ	رکن

- ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی

جناب حسن احمد	چیئرمین
جناب ہارون شہزاد الٰہی شیخ	رکن
جناب طارق ظفر باجوہ	رکن

- ایگزیکٹو کمیٹی

جناب شوکت الٰہی شیخ	چیئرمین
جناب شہزادہ الٰہی شیخ	رکن
جناب شفقت الٰہی شیخ	رکن
جناب ہارون شہزاد الٰہی شیخ	رکن

ڈائریکٹرز کے معاوضے کی نمایاں خصوصیات

بورڈ آف ڈائریکٹرز نے کمپنی کے امور میں ان کی ذمہ داری پر منحصر ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کے معاوضے کے لئے رسمی پالیسی کی منظوری دی ہے۔ معاوضہ کامیابی سے کمپنی کو منظم طریقے سے چلانے کے لئے ان کی ذمہ داری اور ضروری مہارت اور ان سے ویلیو ایڈیشن کو حوصلہ افزائی کی سطح کے مطابق ہے۔

بورڈ کے چیئرمین کو بورڈ سے تصدیق شدہ معاوضہ ادا کیا جاتا ہے۔ آزاد ڈائریکٹرز سمیت نان ایگزیکٹو ڈائریکٹرز بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے اہل ہیں۔ ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کا معاوضہ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی سفارشات پر بورڈ کی طرف سے منظور کیا گیا ہے۔

اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر بینکرز اور تمام حصص داروں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ

طارق ظفر باجوہ	شہزادہ الٰہی شیخ
ڈائریکٹر	چیئرمین

لاہور: 26 ستمبر 2019ء

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 nine as per the following:

   a) Male: Nine
   b) Female: Nil (Exempted for current term)

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

Category	Names
a) Independent Director	Mr. Hasan Ahmed
b) Non-Executive Directors	Mr. Shaukat Ellahi Shaikh Mr. Javaid Bashir Sheikh Mr. Shahzada Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh
c) Executive Directors	Mr. Tariq Zafar Bajwa Mr. Raza Ellahi Shaikh, CEO

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the 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 remained fully compliant with the provision with regards to their Directors' Training Program (DTP). Out of total of nine directors, eight directors have obtained certification under DTP.

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

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

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

    a. Audit Committee

       Mr. Hasan Ahmed, Chairman
       Mr. Amin Ellahi Shaikh, Member
       Mr. Haroon Shahzada Ellahi Shaikh, Member

    b. Human Resource and Remuneration (HR & R) Committee

       Mr. Hasan Ahmed, Chairman
       Mr. Haroon Shahzada Ellahi Shaikh, Member
       Mr. Tariq Zafar Bajwa, Member

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

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

    a) Audit Committee: Four quarterly meetings were held during the financial year ended June 30, 2019.

    b) HR and Remuneration Committee: One meeting was held during the financial year ended June 30, 2019.

15. The Board has set up an effective internal audit function which 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 Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all 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, the 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.

on behalf of the Board

	Tariq Zafar Bajwa	**Shahzada Ellahi Shaikh**
Lahore: September 26, 2019	Director	Chairman

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 28th Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 25, 2019 at 11:00 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2019, the Company has 532 Shareholders.

Web Reference

The Company maintains a functional website. Annual, half-yearly and quarterly reports are regularly posted at the Company's website http:// www.nagina.com

Dividend

The Board of Directors in its meeting held on September 26, 2019 has recommended, payment of final cash dividend at the rate of Rs. 4/= per share i.e. 40% for the year ended June 30, 2019.

Book Closure

The register of the members and shares transfer books of the Company will remain closed from October 19, 2019 to October 25, 2019 (both days inclusive).

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the following particulars directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS):

Detail of Bank Mandate	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) **"Mandatory"**	PK_________________________ (24 digits) (kindly provide your accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

____
Signature of the Shareholder

In case of non-receipt of above information, the dividend shall be withheld.

Requirement of CNIC Number / National Tax Number (NTN) Certificate.

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide its Notification SRO 275(I)/2016 dated March 31, 2016 read with Notification SRO 19(I)/2014 dated January 10, 2014 and Notification SRO 831(I)2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,
1st Floor, H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the payment of Dividend, in case of non-availability of a copy of valid CNIC (for individuals) and National Tax Number (for corporate entities).

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 ("Income Tax Ordinance").

1. Pursuant to the provisions of the Finance Act, 2019 effective from July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

i)	Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL.	15%
ii)	Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL.	30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

2. Withholding tax will be determined separately on 'persons names appearing on ATL/persons names not appearing on ATL' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts. In this regard, all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint-holder(s).

3. As per FBR Circulars C.No.1(29)WHT/2006 dated 30 June 2010 and C.No. 1(43)DG(WHT)/2008-Vol.II-66417-R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

Zakat Declaration (Form CZ-50)

The Shareholders claiming exemption from deduction of Zakat are advised to submit their Zakat Declaration Form CZ-50 under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund Rules), 1981 to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. The Shareholders while sending the Zakat Declarations must quote company name and their respective Folio Nos and /or CDC A/c Nos.

Electronic Transmission of Audited Financial Statements and Notice of Annual General Meeting (Notice) Through E-Mail (Optional)

Pursuant to SECP notification S.R.O 787(I)/ 2014 dated September 8, 2014, members, who hold shares in physical form, may inform the Company or Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., and who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) may inform their CDC Participants / CDC Investor Account Services, to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form as given below:

REQUEST FORM FOR ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS AND NOTICE THROUGH E-MAIL

In terms of SECP notification SRO 787(I)/2014 dated September 8, 2014, I, ____ hereby give my consent for electronic transmission of Audited Financial Statements and Notice through e-mail. My e-mail address is

_____________________________.

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the Company shall be considered compliant with relevant requirements of sections 55, 132 and 223(6) of the Companies Act, 2017.

It is stated that the above mentioned e-mail address is correct, that I will intimate the changes in the above mentioned e-mail address to the Company and the Share Registrar as soon as these occur.

____

Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,
Prosperity Weaving Mills Ltd., Nagina House,
91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.
E-mail address: mohsin.gilani@nagina.com
or
M/s. Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House, 7-Bank Square, Lahore.
E-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary
Email: mohsin.gilani@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares & Dividend

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s. Hameed Majeed Associates (Pvt) Ltd., 1st Floor, H.M. House, 7-Bank Square, Lahore, for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019
CUIN (INCORPORATION NUMBER) 0025740

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
189	1	100	3,577
127	101	500	40,047
54	501	1000	48,175
101	1001	5000	270,656
23	5001	10000	170,347
12	10001	15000	161,410
2	15001	20000	35,800
4	20001	25000	93,670
1	25001	30000	28,225
-	30001	50000	-
3	50001	55000	153,626
1	55001	60000	58,043
-	60001	80000	-
1	80001	85000	84,591
-	85001	100000	-
1	100001	105000	105,000
-	105001	110000	-
1	110001	115000	110,500
-	115001	120000	-
1	120001	125000	125,000
-	125001	350000	-
1	350001	355000	352,000
-	355001	540000	-
1	540001	545000	545,000
-	545001	695000	-
1	695001	700000	700,000
1	700001	705000	700,500
-	705001	1395000	-
2	1395001	1400000	2,800,000
-	1400001	1675000	-
1	1675001	1680000	1,678,242
-	1680001	2120000	-
2	2120001	2125000	4,240,315
-	2125001	2135000	-
1	2135001	2140000	2,138,646
-	2140001	3745000	-
1	3745001	3750000	3,747,415
			89,215
532	**Total:-**		**18,480,000**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019

Sr #	Categories of Shareholders	Shares Held	Percentage
1)	**Directors, Chief Executive Officer, and their Spouse and Minor Children**		
i)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
iv)	MRS. HUMERA SHAHZADA ELLAHI SHAIKH	2,934	0.02
v)	MRS. MONA SHAUKAT SHAIKH	2,934	0.02
vi)	MRS. SHAISTA SHAFQAT SHAIKH	2,934	0.02
vii)	MR. RAZA ELLAHI SHAIKH	1,400,000	7.58
viii)	MR. AMIN ELLAHI SHAIKH	1,400,000	7.58
ix)	MR. HAROON SHAHZADA ELLAHI SHAIKH	700,500	3.79
x)	MR. JAVAID BASHIR SHEIKH	500	0.00
xi)	MRS. MEHREEN SAADAT	19,300	0.10
xii)	MR. HASAN AHMED	500	0.00
xiii)	MR. TARIQ ZAFAR BAJWA	500	0.00
		9,909,063	**53.62**
2)	**Associated Companies, Undertakings and Related Parties**		
i)	ELLAHI INTERNATIONAL (PVT) LIMITED	3,747,415	20.28
ii)	ARH (PVT) LIMITED	1,678,242	9.08
iii)	HAROON OMER (PVT) LIMITED	50,857	0.28
iv)	MONELL (PVT) LIMITED	51,907	0.28
v)	ICARO (PVT) LIMITED	50,862	0.28
		5,579,283	**30.19**
3)	**NIT and ICP**	**Nil**	**Nil**
4)	**Banks, Development Finance Institutions, Non Banking Finance Institutions**		
i)	NATIONAL BANK OF PAKISTAN INVESTAR A/C (FORMER NDFC)	3,800	0.02
ii)	IDBL (ICP UNIT)	69	0.00
iii)	ESCORTS INVESTMENT BANK LIMITED	1	0.00
		3,870	**0.02**
5)	**Insurance Companies**	**Nil**	**Nil**
6)	**Modarabas and Mutual Funds**		
i)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	84,591	0.46
		84,591	**0.46**
7)	**Shareholders Holding 10% or more**		
i)	ELLAHI INTERNATIONAL (PVT) LIMITED	3,747,415	20.28
ii)	MR. SHAUKAT ELLAHI SHAIKH	2,138,646	11.57
iii)	MR. SHAHZADA ELLAHI SHAIKH	2,120,219	11.47
iv)	MR. SHAFQAT ELLAHI SHAIKH	2,120,096	11.47
8)	**General Public**		
	a. Local	2,549,931	13.80
	b. Foreign	-	-
9)	**Others (Joint Stock Companies)**	**353,262**	**1.91**

Note:-

M/s. Nagina Cotton Mils Ltd., had distributed 8,415,000 ordinary shares of M/s. Prosperity Weaving Mills Ltd., among its members, out of which 89,215 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2019	2018	2017 (restated)	2016 (restated)	2015	2014 (restated)
Sales	Rs.'000	7,112,276	6,212,431	5,820,163	5,211,429	5,811,482	6,346,901
Gross profit	Rs.'000	706,784	355,552	303,179	359,653	318,755	480,701
Operating profit	Rs.'000	500,686	199,138	160,420	183,708	138,410	303,650
Profit / (loss) before tax	Rs.'000	319,179	54,697	58,496	72,362	31,188	243,114
Profit / (loss) after tax	Rs.'000	210,034	54,697	56,198	39,972	60,831	182,417
Share capital - paid up	Rs.'000	184,800	184,800	184,800	184,800	184,800	184,800
Shareholders' equity	Rs.'000	1,154,588	1,001,077	968,176	956,937	893,366	925,937
Total assets	Rs.'000	4,462,999	4,259,667	4,298,635	2,940,709	2,789,119	2,299,116
Earning per share - pre tax	Rs.	17.27	2.96	3.17	3.92	1.69	13.16
Earnings per share - after tax	Rs.	11.37	2.96	3.04	2.16	3.29	9.87
Dividend per share	Rs.	4.00	2.00	2.00	1.75	1.50	5.00
Market value per share as on 30 June	Rs.	34.00	26.00	28.61	30.50	32.85	41.00
Gross profit to sales	%	9.94	5.72	5.21	6.90	5.48	7.57
Operating profit to sales	%	7.04	3.21	2.76	3.53	2.38	4.78
Profit / (loss) before tax to sales	%	4.49	0.88	1.01	1.39	0.54	3.83
Profit / (loss) after tax to sales	%	2.95	0.88	0.97	0.77	1.05	2.87
Current ratio		1.24:1	1.21:1	1.26:1	1.54:1	1.72:1	1.40:1
Total debt ratio	%	74.13	76.50	77.48	67.46	65.98	58.11
Debt equity ratio	%	59.17	62.93	65.26	57.10	58.90	42.70

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INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members Of Prosperity Weaving 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 **Prosperity Weaving Mills Limited** for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

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.

Deloitte Yousuf Adil
Chartered Accountants

Engagement Partner:
Rana M. Usman Khan

Lahore
Date: September 26, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Prosperity Weaving Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Prosperity Weaving Mills Limited (the Company) which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and 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 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 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 matter(s):

Key audit matter	How the matter was addressed in our audit
Revenue Recognition	
The Company's sales comprise of revenue from the local and export sale of fabric which has been disclosed in note 27 to the financial statements. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, revenue recognition criteria has been explained in note 3.15 to the financial statements. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control of the goods to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.	Our audit procedures to address the Key Audit Matter included the following: • Obtaining an understanding of and assessing the design and implementation and operating effectiveness of controls around recognition of revenue ; • Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • Checked on a sample basis whether the recorded local and export sales transactions are based on satisfaction of performance obligation (i.e. delivery of goods and after issue of gate passes). • Testing timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents. • Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard.

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, but does not include the financial statements 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 opinion 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 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 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 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Deloitte Yousuf Adil
Chartered Accountants

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 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 Rana M. Usman Khan.

Deloitte Yousuf Adil
Chartered Accountants

Lahore
Date: September 26, 2019

NAGINA
NAGINA GROUP

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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 capital	**4**	**184,800,000**	184,800,000
Reserves	**5**	**866,947,761**	760,711,978
Revaluation surplus on land	**13.1.5**	**102,840,634**	55,564,634
TOTAL EQUITY		**1,154,588,395**	1,001,076,612
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	**6**	**1,401,669,107**	1,492,380,256
Employee retirement benefits	**7**	**113,846,651**	99,689,123
Deferred taxation	**8**	**5,928,689**	-
		1,521,444,447	1,592,069,379
CURRENT LIABILITIES			
Trade and other payables	**9**	**446,059,871**	389,635,181
Accrued interest / markup	**10**	**43,411,088**	35,059,916
Short term borrowings	**11**	**1,020,731,819**	1,030,068,055
Current portion of long term finances	**6**	**271,872,149**	207,183,323
Unclaimed dividend		**4,890,794**	4,574,516
		1,786,965,721	1,666,520,991
TOTAL LIABILITIES		**3,308,410,168**	3,258,590,370
CONTINGENCIES AND COMMITMENTS	**12**		
TOTAL EQUITY AND LIABILITIES		**4,462,998,563**	4,259,666,982

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore: September 26, 2019

Tariq Zafar Bajwa
Director

Muhammad Tariq Sheikh
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,194,488,854	2,209,083,425
Intangible assets	14	2,259,165	3,437,859
Long term deposits	15	15,039,000	15,039,000
Deferred taxation	8	-	20,420,379
Sales tax refund bonds	16	28,600,000	-
		2,240,387,019	2,247,980,663
CURRENT ASSETS			
Stores, spare parts and loose tools	17	67,841,093	49,968,085
Stock-in-trade	18	520,264,696	358,371,438
Trade receivables	19	911,859,937	713,046,835
Advances	20	14,748,553	37,266,080
Short term prepayments	21	2,036,980	1,789,848
Other receivables	22	7,777,222	36,319,112
Sales tax refundable	23	42,951,091	53,690,627
Other financial assets	24	444,623,369	451,287,139
Advance income tax - net	25	96,257,531	142,234,647
Cash and bank balances	26	114,251,072	167,712,508
		2,222,611,544	2,011,686,319
TOTAL ASSETS		4,462,998,563	4,259,666,982

The annexed notes from 1 to 45 form an integral part of these financial statements.

Shahzada Ellahi Shaikh
Chairman

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

	Note	2019 Rupees	2018 Rupees
Sales - net	27	7,112,276,334	6,212,431,041
Cost of sales	28	(6,405,492,704)	(5,856,879,507)
Gross profit		706,783,630	355,551,534
Distribution cost	29	(100,542,478)	(78,660,592)
Administrative expenses	30	(100,354,443)	(84,556,825)
Other operating expenses	31	(50,018,578)	(40,558,072)
		(250,915,499)	(203,775,489)
		455,868,131	151,776,045
Other income	32	44,817,620	47,361,759
Operating profit		500,685,751	199,137,804
Finance cost	33	(181,506,968)	(144,441,167)
Profit before taxation		319,178,783	54,696,637
Provision for taxation	34	(109,144,342)	-
Profit after taxation		210,034,441	54,696,637
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss:			
Remeasurement of post retirement benefits obligation	7.6	(1,139,720)	248,810
Related tax impact	8.1	837,341	1,052,137
Surplus on revaluation of land		47,276,000	-
Fair value loss on investment in equity instrument designated at FVTOCI		(66,536,279)	-
Transfer of unrealized loss due to impairment of investment in equity securities		-	23,753,981
Related tax impact		-	(3,563,097)
Items that may be reclassified subsequently to statement of profit or loss:			
Unrealized loss on remeasurement of short term investments classified as available for sale		-	(8,929,635)
Related tax impact	8.1	-	2,601,801
Other comprehensive (loss) / income		(19,562,658)	15,163,997
Total comprehensive income for the year		190,471,783	69,860,634
Earnings per share - basic and diluted	35	11.37	2.96

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore: September 26, 2019

Tariq Zafar Bajwa	**Muhammad Tariq Sheikh**	**Shahzada Ellahi Shaikh**
Director	Chief Financial Officer	Chairman

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

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**37**	**447,258,668**	481,282,366
Employee benefits paid		**(17,341,974)**	(10,243,736)
Finance cost paid		**(173,155,796)**	(135,997,739)
Income taxes paid		**(35,980,817)**	(27,749,110)
Net cash generated from operating activities		**220,780,081**	307,291,781
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(199,521,376)**	(185,575,128)
Proceeds from disposal of property, plant and equipment		**49,699,150**	6,841,000
Purchase of short term investments		**(201,141,123)**	(112,284,102)
Proceeds from sale of short term investments		**113,917,905**	200,102,722
Dividend received		**34,806,208**	30,538,052
Net cash used in investing activities		**(202,239,236)**	(60,377,456)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		**181,172,000**	127,688,000
Repayment of long term finances		**(207,194,323)**	(246,634,557)
Short term borrowings excluding running finance		**(50,000,000)**	475,000,000
Dividend paid		**(36,643,722)**	(36,769,296)
Net cash (used in) / generated from financing activities		**(112,666,045)**	319,284,147
Net (decrease) / increase in cash and cash equivalents		**(94,125,200)**	566,198,472
Cash and cash equivalents at beginning of the year		**(387,355,547)**	(953,554,019)
Cash and cash equivalents at end of the year		**(481,480,747)**	(387,355,547)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	**26**	114,251,072	167,712,508
Running finance	**11**	(467,091,095)	(400,402,411)
Bank overdraft	**11**	(128,640,724)	(154,665,644)
		(481,480,747)	(387,355,547)

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore: September 26, 2019	**Tariq Zafar Bajwa** Director	**Muhammad Tariq Sheikh** Chief Financial Officer	**Shahzada Ellahi Shaikh** Chairman

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

	Issued, subscribed and paid up capital	Capital reserve			Revenue reserve	Total
		Amalgamation reserve	Revaluation surplus on land	Fair value reserve	Unappropriated profit	
	------------------------------ Rupees ------------------------------					
Balance at June 30, 2017	184,800,000	16,600,000	55,564,634	(8,067,254)	719,278,598	968,175,978
Comprehensive income						
Profit after taxation	-	-	-	-	54,696,637	54,696,637
Other comprehensive income - net of tax	-	-	-	13,863,050	1,300,947	15,163,997
Total comprehensive income for the year	-	-	-	13,863,050	55,997,584	69,860,634
Transactions with owners						
Final dividend @ 20% i.e. Rs. 2 per share	-	-	-	-	(36,960,000)	(36,960,000)
Balance at June 30, 2018	184,800,000	16,600,000	55,564,634	5,795,796	738,316,182	1,001,076,612
Impact of adoption of IFRS - 9 (note 2.1.4.1)	-	-	-	9,944,549	(9,944,549)	-
Balance at June 30, 2018 - restated	184,800,000	16,600,000	55,564,634	15,740,345	728,371,633	1,001,076,612
Comprehensive income						
Profit after taxation	-	-	-	-	210,034,441	210,034,441
Other comprehensive loss - net of tax	-	-	47,276,000	(66,536,279)	(302,379)	(19,562,658)
Total comprehensive income for the year	-	-	47,276,000	(66,536,279)	209,732,062	190,471,783
Transactions with owners						
Final dividend @ 20% i.e. Rs. 2 per share	-	-	-	-	(36,960,000)	(36,960,000)
Balance at June 30, 2019	**184,800,000**	**16,600,000**	**102,840,634**	**(50,795,934)**	**901,143,695**	**1,154,588,395**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Lahore: September 26, 2019

Tariq Zafar Bajwa
Director

Muhammad Tariq Sheikh
Chief Financial Officer

Shahzada Ellahi Shaikh
Chairman

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

1 LEGAL STATUS AND OPERATIONS

1.1 Prosperity Weaving Mills Limited (the Company) was incorporated in Pakistan on November 20, 1991 as a public limited company under the repealed Companies Ordinance, 1984 (Now Companies Act 2017) and listed on Pakistan Stock Exchange Limited on October, 17 1995. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The principal activity of the Company is manufacturing and sale of woven cloth. The manufacturing facility is located at 13.5 km Sharaqpur road, District Sheikhupura in the Province of Punjab.

1.2 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2 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.

2.1 STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR

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

2.1.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019:

2.1.1.1 Standards or Interpretations with no significant impact	**Effective from accounting period beginning on or after:**
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
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.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs.

2.1.1.2 Standards impacting financial statements

The following new standards become applicable for the year ended June 30, 2019 which have required changes to the Company's accounting policies:

	Effective from accounting period beginning on or after:
IFRS 9 'Financial Instruments' - This standard supersedes IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue' - This standard supersedes IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

The impact of adoption of these new standards is disclosed in note 2.1.4

2.1.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

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

	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': 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

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application. The management of the Company is still in process of assessing the potential impact of application of IFRS 16 to the Company's financial statements.

2.1.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

2.1.4 Adoption of new accounting standards

The following changes in standards have taken place effective from July 01, 2018:

2.1.4.1 Impact of IFRS 9 - Financial Instruments

IFRS 9 replaces certain provisions of IAS 39 - "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IFRS 9 the financial instruments, excluding derivatives, are accounted for at amortised cost, fair value through other comprehensive income or fair value through profit or loss depending on the nature of the relevant contractual cash flows and the business model in which it is held.

The adoption of IFRS 9 from July 01, 2018 has resulted in changes in relevant accounting policies and adjustment to the financial assets recognised in the financial statements. IFRS 9 requires implementation of a new impairment model based on Expected Credit Losses (ECL), resulting in transition adjustment summarised below. In accordance with the transition provisions of IFRS 9, the Company has followed modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information of prior periods.

As a result of adoption of IFRS 9, opening unappropriated profit of the Company as of July 1, 2018 has been restated downward by Rs. 9.94 million, due to change of classification of investments available for sale to investments designated at fair value through profit or loss (FVTPL), using the modified retrospective method. Had this policy not been changed, the profit after tax for the year and closing unappropriated profit would have been higher by Rs. 7.09 million.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade receivables	Loans and receivables	At amortized cost	713,046,835	713,046,835
Cash and bank balances	Loans and receivables	At amortized cost	167,101,659	167,101,659
Other financial assets	Available for sale	At FVTOCI At FVTPL	451,287,139	314,100,743 137,186,396
Financial liabilities				
Trade and other payables	At amortized cost	At amortized cost	369,588,260	389,635,181
Long term finances	At amortized cost	At amortized cost	1,699,563,579	1,699,563,579
Short term borrowings	At amortized cost	At amortized cost	1,030,068,055	1,030,068,055
Accrued interest / markup	At amortized cost	At amortized cost	35,059,916	35,059,916
Unclaimed dividend	At amortized cost	At amortized cost	4,574,516	4,574,516

As stated in note 3.8.1 the measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Considering these factors, there is no history of default by debtors and consequently no expected credit losses are recognized in these financial statements.

2.1.4.2 Impact of IFRS-15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from contracts with customers (IFRS 15) replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations in a contract are satisfied. The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the Company for the year ended June 30, 2018 or June 30, 2019.

2.2 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

Significant areas requiring the use of management estimates in these financial statements relate to the revaluation of certain item of property, plant and equipment, useful life of depreciable assets, employee retirement benefits, impairment of financial assets and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:
- revaluation of land;
- financial instruments at fair value; and
- recognition of certain employee retirement benefits at present value.

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work-in-progress and stores held for capital expenditure are stated at cost. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date. When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, 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. All other repair and maintenance costs are charged to income during the period in which they are incurred. Depreciation is charged to profit or loss account applying the reducing balance method over its estimated useful life at the rates specified in note 13.1 to the financial statements.

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

Surplus arising on revaluation of land is recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity and is shown in equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the land does not differ materially from the fair value.

Gain or loss on disposal of property, plant and equipment, if any, is recognized in the profit or loss account for the year.

All costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.3 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.4 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and impairment in value. Intangible assets are amortized over a period of five years using straight line method. Amortization on additions during the year is charged from the month in which an asset is acquired or capitalized.

3.5 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at the cost, determined on moving weighted average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

3.6 STOCK-IN-TRADE

These are valued at the lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	Weighted average
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.
Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.
Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.7 IMPAIRMENT OF NON FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit or loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

3.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.8.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

· the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.
As at reporting date, the Company carries cash and cash equivalents and trade receivables at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income (FVTOCI).

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company carries investments in self managed securities and mutual funds at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company carries investments in securities and mutual funds classified at FVTPL.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or at FVTOCI, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables by using simplified approach. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Definition of default:

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

· when there is a breach of financial covenants by the debtor; or

· information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Write-off policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognised in profit or loss.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.8.2 Financial liabilities

Subsequent measurement of financial liabilities

Financial liabilities that are not

· contingent consideration of an acquirer in a business combination,

· held-for-trading, or

· designated as at FVTPL are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.9 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

3.10 TRADE RECEIVABLES

Trade receivables and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method less allowance for ECL.

3.11 CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value and short term running finance under markup arrangement. Cash and bank are carried in the statement of financial position at cost.

3.12 TRADE AND OTHER PAYABLES

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

3.13 EMPLOYEE RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to profit or loss account for the year. The assumptions are determined by independent actuary.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains / losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried as at June 30, 2019.

Details of the schemes are given in note 7 to these financial statements.
The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

3.14 PROVISIONS

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

3.15 REVENUE RECOGNITION

The Company is in the business of sale of goods. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer and the performance obligation is satisfied under the contract at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principle in its revenue arrangements because it typically controls the goods or services before transferring them to the customers.
- Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.
- Export rebate is recognized on accrual basis at the time of making the export sales.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any).

3.16 BORROWINGS

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

3.17 LEASES

Rentals payable under operating leases are charged to profit or loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.18 BORROWING COSTS

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 capitalized as part of the cost of the respective 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 recognized in profit or loss in the period in which they are incurred.

3.19 TAXATION

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet 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 that case it is included in equity.

3.20 FOREIGN CURRENCIES TRANSACTION AND TRANSLATION

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year.

3.21 DIVIDEND DISTRIBUTION

Dividend distribution to the company’s shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholders.

3.22 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2019	2018		**2019**	2018
Number of shares			**Rupees**	Rupees
		Ordinary shares of Rs. 10 each		
9,600,000	9,600,000	- fully paid in cash	**96,000,000**	96,000,000
8,880,000	8,880,000	- issued as bonus shares	**88,800,000**	88,800,000
18,480,000	18,480,000		**184,800,000**	184,800,000

4.1 There is no movement during the year in issued, subscribed and paid-up capital.

4.2 The Company has one class of ordinary shares which carry no right to fixed income.

4.3 Following shares are held by associates of the Company as at balance sheet date:

	2019	2018
	Number of ordinary shares of Rs. 10 each	
Ellahi International (Private) Limited	**3,747,415**	3,747,415
ARH (Private) Limited	**1,678,242**	1,678,242
Monell (Private) Limited	**51,907**	51,907
ICARO (Private) Limited	**50,862**	50,862
Haroon Omer (Private) Limited	**50,857**	50,857
	5,579,283	5,579,283

4.3.1 Shareholders are entitled to cast vote proportionate to the paid up value of shares carrying voting rights. All shares rank equally with regard to the Company's residual assets.

5 RESERVES

		Note	**2019 Rupees**	2018 Rupees
Amalgamation reserve	Capital reserve	**5.1**	**16,600,000**	16,600,000
Fair value reserve	Capital reserve	**5.2**	**(50,795,934)**	5,795,796
Unappropriated profits	Revenue reserve		**901,143,695**	738,316,182
			866,947,761	760,711,978

5.1 This represents reserve arising on merger of Ellahi Electric Company Limited into Prosperity Weaving Mills Limited on September 30, 2001 and breakup value of such shares, the value at which net assets and liabilities of Power Unit 3 of Ellahi Electric Company Limited were merged into Prosperity Weaving Mills Limited, at that date.

5.2 This represents fair value (loss) / gain on remeasurement of other financial assets designated as at fair value through other comprehensive income (2018: unrealized gain / (loss) on remeasurement of short term investments available for sale at fair value).

6 LONG TERM FINANCES

	Note	2019 Rupees	2018 Rupees
From banking companies - secured	6.1	**1,673,541,256**	1,699,563,579
Less: current portion		**271,872,149**	207,183,323
		1,401,669,107	1,492,380,256

6.1 From banking companies - secured

	Name of Institution	Original limit 2019	Original limit 2018	Outstanding amount 2019	Outstanding amount 2018	Other terms and conditions: Security	Other terms and conditions: Arrangement, repayment and mark-up
		---- Rupees ----					
6.1.1	Askari Bank Limited (LTFF)	**71,018,100**	71,018,100	**29,052,865**	41,965,245	Joint pari passu registered hypothecation charge of Rs. 138.73 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs.113 million out of which Rs. 71.02 million have been converted into LTFF scheme of State Bank of Pakistan (SBP). The loan is repayable in 22 quarterly installments, with 18 months grace period, commenced from May 25, 2016. The loan carries mark-up at the rate of 6.50% (2018: 6.50%) per annum payable quarterly.
6.1.2	Askari Bank Limited (TF)	**41,981,900**	41,981,900	**15,265,822**	22,898,730	Same as 6.1.1	This facility has been obtained against a sanctioned limit of Rs. 113 million out of which Rs. 71.02 million have been converted into LTFF scheme of SBP and Rs. 41.98 million remain as term finance. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from February 12, 2016. The loan carries mark-up rate of 3 month KIBOR plus 1.00% (2018: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.3	Askari Bank Limited (LTFF)	**291,666,430**	291,666,430	**209,635,245**	246,093,549	Joint pari passu hypothecation charge of Rs. 667 million over all present and future fixed assets of the Company with 25% margin.	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.67 million have been converted into LTFF scheme of SBP. The loan is repayable in 32 quarterly installments, with a 24 months grace period, commenced from June 5, 2017. The loan carries mark-up at the rate of 6.50% (2018: 6.50%) per annum payable quarterly.
6.1.4	Askari Bank Limited (LTFF)	**93,333,570**	93,333,570	**64,166,771**	75,833,455	Same as 6.1.3	This facility has been obtained against a sanctioned limit of Rs. 385 million out of which Rs. 291.66 million have been converted into LTFF scheme of SBP and Rs. 93.33 million remain as term finance. The loan is repayable in 32 quarterly installments with 24 months grace period, commenced from February 12, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2018: 3 months KIBOR plus 1.00%) per annum payable quarterly.

	Name of Institution	Original limit 2019	Original limit 2018	Outstanding amount 2019	Outstanding amount 2018	Other terms and conditions: Security	Other terms and conditions: Arrangement, repayment and mark-up
		Rupees					
6.1.5	Askari Bank Limited (TF)	**115,000,000**	115,000,000	**82,551,233**	96,907,969	Same as 6.1.3	This facility has been obtained against a sanctioned limit of Rs. 115 million. The loan is repayable in 32 quarterly installments with 24 months grace period, commenced from May 27, 2017. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2018: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.6	Habib Bank Limited (TF)	**90,298,592**	90,298,592	**20,522,415**	36,940,339	Joint pari passu charge of Rs. 605 million on all present and future fixed assets of the Company excluding power generation plant with 25% margin, and personal guarantees of sponsor directors of the Company.	This facility has been obtained against a sanctioned limit of Rs. 200 million out of which Rs. 109.70 million have been converted into LTFF scheme of SBP and Rs. 90.30 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from April 7, 2015. The loan carries mark-up rate of 3 months KIBOR plus 1.35% (2018: 3 months KIBOR plus 1.35%) per annum payable quarterly.
6.1.7	Habib Bank Limited (LTFF)	**322,772,452**	322,772,452	**117,371,802**	176,057,702	Same as 6.1.6	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFF scheme of SBP. The loan is repayable in 22 quarterly Installments with a 18 month grace period commenced from February 13, 2016. The loan carries mark-up at the rate of 8% w.e.f July 16, 2018 (2018:7.25%) per annum payable quarterly.
6.1.8	Habib Bank Limited (TF)	**27,227,548**	27,227,548	**9,900,924**	14,851,388	Same as 6.1.6	This facility has been obtained against a sanctioned limit of Rs. 350 million out of which Rs. 322.77 million have been converted into LTFF scheme of SBP and Rs. 27.23 million remain as term loan. The loan is repayable in 22 equal quarterly installments with 18 months grace period, commenced from February 13, 2016. The loan carries mark-up rate of 3 months KIBOR plus 1.00% (2018: 3 months KIBOR plus 1.00%) per annum payable quarterly.
6.1.9	United Bank Limited (LTFF)	**187,931,622**	187,931,622	**146,821,581**	170,313,033	Joint pari passu charge amounting to Rs. 867 million as equitable mortgage over fixed assets of the company.	This facility has been obtained against sanctioned limit of Rs. 187.93 million converted into LTFF scheme of SBP. The loan is repayable in 32 quarterly installments commencing from November 10, 2017. The loan carries mark-up rate of 3.50% (2018: 3.50%) per annum payable quarterly.

	Name of Institution	Original limit		Outstanding amount		Other terms and conditions	
		2019	2018	2019	2018	Security	Arrangement, repayment and mark-up
		Rupees					
6.1.10	United Bank Limited (LTFF)	**40,000,000**	40,000,000	**30,475,885**	30,475,885	Joint pari passu charge amounting to Rs. 1,184.33 million as equitable mortgage over fixed assets of the Company.	This facility has been obtained against sanctioned limit of Rs. 700 million out of which Rs. 30.475 million has been converted into LTFF on July 19, 2017. The loan is repayable in 32 equal quarterly installments commencing from October 19, 2019. The loan carries mark up at the rate of 2.50% (2018: 2.50%).
6.1.11	United Bank Limited (LTFF)	**660,000,000**	660,000,000	**638,927,713**	659,538,284	Same as 6.1.10	This facility has been obtained against sanctioned limit Rs. 700 million out of which Rs.660 million has been converted into LTFF. The loan is repayable in 32 quarterly installments in arrears commencing from April 18, 2019. The loan carries mark up at the rate of 2.50% (2018: 2.50%).
6.1.12	Askari Bank Limited (LTFF)	**45,829,000**		**12,288,000**	-	Same as 6.1.3	This facility has been obtained against sanctioned limit of Rs. 200 million. During the year, this facility has been converted from term finance to LTFF scheme of SBP. The loan is repayable in 32 quarterly installments in arrears commencing from August 18, 2020 with grace period of 24 months. The loan carries mark up at the rate of 2.50% (2018: 3 months KIBOR +0.75%).
6.1.12.1	Askari Bank Limited (LTFF)	**127,688,000**	200,000,000	**127,688,000**	127,688,000	Same as 6.1.3	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from August 18, 2020 with grace period of 24 months. The loan carries mark up at 3 months KIBOR plus 0.75%.
6.1.12.2	Askari Bank Limited (LTFF)	**3,296,000**	-	**3,296,000**	-	Same as 6.1.3	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from August 18, 2020 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.12.3	Askari Bank Limited (LTFF)	**23,187,000**	-	**23,187,000**	-	Same as 6.1.3	This facility has been obtained against sanctioned limit of Rs. 200 million. The loan is repayable in 32 quarterly installments in arrears commencing from August 18, 2020 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
6.1.13	Allied Bank Limited (LTFF)	**300,000,000**	-	**142,390,000**	-	Joint pari passu charge of Rs. 400 million inclusive of 25% margin over Fixed assets.	This facility has been obtained against sanctioned limit of Rs. 300 million. During the year, this facility has been converted from term finance to LTFF scheme of SBP. The loan is repayable in 32 quarterly installments in arrears commencing from September 27, 2021 with grace period of 24 months. The loan carries mark up at the rate of 2.50%.
				1,673,541,256	1,699,563,579		

6.2 These facilities carry effective mark-up rate ranging from 2.50% to 13.45% (2018: 2.50% to 7.90%) per annum.

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7 EMPLOYEE RETIREMENT BENEFITS

The Company has a defined benefit plan comprising an un-funded gratuity scheme for its permanent employees. Latest valuation has been conducted as at June 30, 2019.

		2019 Rupees	2018 Rupees
7.1	**Amounts recognized in the balance sheet are as follows:**		
	Present value of defined benefit obligation as at June 30	**113,846,651**	99,689,123
7.2	**Movement in liability:**		
	Net liability at the beginning of the year	**99,689,123**	83,825,666
	Charge for the year	**30,359,782**	26,356,003
	Benefits paid during the year	**(17,341,974)**	(10,243,736)
	Remeasurement changes chargeable to other comprehensive income	**1,139,720**	(248,810)
	Net liability at the end of the year	**113,846,651**	99,689,123
7.3	**Movement in the present value of defined benefit obligation is as follows:**		
	Present value of defined benefit obligation as at July 01	**99,689,123**	83,825,666
	Current service cost	**22,168,150**	20,256,459
	Interest cost	**8,191,632**	6,099,544
	Benefits paid	**(17,341,974)**	(10,243,736)
	Remeasurements:		
	Actuarial losses from changes in financial assumptions	**2,256,058**	508,535
	Experience adjustments	**(1,116,338)**	(757,345)
	Present value of defined benefit obligation as at June 30	**113,846,651**	99,689,123
7.4	**Expense recognized in profit and loss account is as follows:**		
	Current service cost	**22,168,150**	20,256,459
	Interest cost	**8,191,632**	6,099,544
		30,359,782	26,356,003
7.5	**Charge for the year has been allocated as follows:**		
	Cost of sales	**21,572,670**	22,748,424
	Administrative expenses	**8,787,112**	3,607,579
		30,359,782	26,356,003
7.6	**Total remeasurement chargeable to other comprehensive income:**		
	Remeasurement of defined benefit obligation:		
	Actuarial losses from changes in financial assumptions	**2,256,058**	508,535
	Experience adjustment	**(1,116,338)**	(757,345)
		1,139,720	(248,810)

7.7 Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2019	2018
Discount rate	**14.25%**	9.00%
Expected rate of salary increase	**12.25%**	7.00%
Average retirement age of employee	**60 years**	60 years

7.8 Sensitivity analysis

	Defined benefit obligation		
	Changes in assumptions	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	5.25%	106,778,306	121,903,263
Salary growth rate	5.25%	122,278,028	106,322,869

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

Maturity profile of the defined benefit obligation

	2019	2018
1. Weighted average duration of the benefit	**7 Years**	7 Years
	2019 Rupees	2018 Rupees
2. Distribution of timing of benefit payments (time in years)		
1	24,776,780	21,774,776
2	18,960,305	16,140,616
3	17,484,425	15,779,461
4	18,059,676	13,826,872
5	17,339,014	13,791,807
6 to 10	126,284,865	73,225,641

8 DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	2019	2018
Taxable temporary differences		
Accelerated tax depreciation	**170,086,932**	138,280,310
Deductible temporary differences		
Provision for employee benefits	**(22,065,094)**	(15,421,786)
Short term investments	**-**	(2,540,308)
Tax credits		
Tax credits under section 113 / 65B	**(142,093,149)**	(140,738,595)
	5,928,689	(20,420,379)

8.1 Movement in temporary differences for the year

	Balance as at July 1, 2018	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance as at June 30, 2019**
	Rupees			
Taxable temporary difference:				
Accelerated tax depreciation	138,280,310	31,806,622	-	170,086,932
Deductible temporary difference:				
Provision for gratuity	(15,421,786)	(5,805,967)	(837,341)	(22,065,094)
Short term investments	(2,540,308)	2,540,308	-	-
Tax credits	(140,738,595)	(1,354,554)	-	(142,093,149)
	(20,420,379)	**27,186,409**	**(837,341)**	**5,928,689**

	Balance as at July 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Balance as at June 30, 2018
	Rupees			
Taxable temporary difference				
Accelerated tax depreciation	105,961,863	32,318,447	-	138,280,310
Deductible temporary difference				
Provision for gratuity	(11,461,582)	(2,908,067)	(1,052,137)	(15,421,786)
Short term investments	(856,683)	(2,644,921)	961,296	(2,540,308)
Tax credits	(70,904,200)	(69,834,395)	-	(140,738,595)
	22,739,398	(43,068,936)	(90,841)	(20,420,379)

9 TRADE AND OTHER PAYABLES

	Note	2019 Rupees	2018 Rupees
Creditors		**115,754,150**	108,223,448
Accrued liabilities	**9.1**	**279,111,993**	252,926,784
Workers' Profit Participation Fund	**9.2**	**16,997,447**	2,937,521
Workers' Welfare Fund		**4,888,969**	1,116,258
Advance from customers		**26,730,672**	15,634,981
Retention money		**394,016**	1,706,877
Withholding tax payable		**1,066,157**	358,161
Others		**1,116,467**	6,731,151
		446,059,871	389,635,181

9.1 This includes an amount of Rs. 118.82 million (2018 : Rs. 97.53 million) in respect of Gas Infrastructure Development Cess (GIDC).

GIDC was levied with effect from December 15, 2011 and was chargeable from industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification.

On June 13, 2013, the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and vide its findings dated August 22, 2014, concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was, therefore, not validly levied in accordance with the Constitution. However, on September 25, 2014, the President of Pakistan had promulgated GID Cess Ordinance 2014, which was applicable to the whole of Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order on September 25, 2014.

On May 22, 2015, the GID Cess Act, 2015 was passed by Parliament applicable on all consumers. Following the imposition of the said Act, many consumers filed a petition in Honorable Sindh High Court and obtained stay order against the Act passed by the Parliament.

On October 26, 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. Furthermore, challenges to the GIDC Act, 2015 arising out of a judgment of the Peshawar High Court are also pending adjudication before the Honourable Supreme Court of Pakistan.

In view of aforementioned developments, the Company on prudent basis, continues to recognize the provision for gas infrastructure development cess.

9.2 Workers' Profit Participation Fund

	Note	2019 Rupees	2018 Rupees
Balance as at beginning of year		**2,937,521**	2,974,071
Interest on funds utilized in the Company's business	**9.2.1**	**303,007**	234,666
		3,240,528	3,208,737
Paid during the year		**(3,240,528)**	(3,208,737)
		-	-
Allocation for the year	**31**	**16,997,447**	2,937,521
Balance as at end of year		**16,997,447**	2,937,521

9.2.1 Interest on Workers' Profit Participation Fund has been provided @ 15% (2018:15%) per annum.

10 ACCRUED INTEREST / MARKUP

	Note	2019 Rupees	2018 Rupees
Long term finances		**19,136,494**	19,576,767
Short term borrowings		**24,274,594**	15,483,149
		43,411,088	35,059,916

11 SHORT TERM BORROWINGS

	Note	2019	2018
From banking companies:			
Running finance - secured	**11.2**	**467,091,095**	400,402,411
Cash finance	**11.2**	**425,000,000**	475,000,000
Bank overdraft - unsecured	**11.3**	**128,640,724**	154,665,644
		1,020,731,819	1,030,068,055

11.1 The aggregate un-availed short term borrowing facilities amount to Rs. 2,937 million (2018: Rs.3,540 million).

11.2 These facilities have been obtained from various commercial banks for working capital requirements; carrying mark-up ranging from 11.44% to 13.80% (2018: 6.34% to 7.42 %) per annum. These facilities expire on various dates by May 31, 2020.

11.3 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

11.4 Short term borrowings are secured against ranking charge of Rs. 2,025 million (2018: Rs.2,825 million) and first pari passu charge of Rs. 4,184 million (2018: Rs.3,117 million) on all present and future current assets of the Company.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 For contingencies relating to tax matters, please refer to note 34.3 to note 34.6 to the financial statements.

	2019 Rupees	2018 Rupees
12.1.2 Guarantees issued by banks in favor of Government departments on behalf of the Company in the normal course of business	**124,835,046**	119,524,946
Post dated cheques issued to Collector of Customs and SNGPL	**2,842,339,257**	2,633,795,867
	2,967,174,303	2,753,320,813

12.2 Commitments

	2019	2018
Irrevocable letters of credit for:		
Capital expenditures	**113,715,105**	12,148,620
Non-capital expenditures	**4,501,565**	82,077,514
	118,216,670	94,226,134
Operating lease:		
Payable within one year	**845,185**	657,433
Payable later than one year but not later than five years	**244,017**	-
	1,089,202	657,433
	119,305,872	94,883,567

13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	2019 Rupees	2018 Rupees
Operating fixed assets	**2,189,508,049**	2,209,083,425
Capital work in progress	**4,980,805**	-
	2,194,488,854	2,209,083,425
	2,194,488,854	2,209,083,425

13.1 Operating fixed assets - as at June 30, 2019

Description	COST / REVALUED AMOUNT				DEPRECIATION			Net book value as at June 30, 2019	Annual rate of depreciation
	As at July 01, 2018	Revaluation	Additions / (disposals)	As at June 30, 2019	As at July 01, 2018	For the year / (on disposals)	As at June 30, 2019		
	Rupees								
Owned									
Freehold land (note 13.1.5)	57,772,000	47,276,000	-	105,048,000	-	-	-	105,048,000	-
Buildings on freehold land									
- Factory	245,657,945	-	1,157,616	246,815,561	133,189,648	11,255,310	144,444,958	102,370,603	10%
- Residential	111,693,771	-	-	111,693,771	55,947,239	5,575,820	61,523,059	50,170,712	10%
Buildings on leasehold land	36,261,108	-	-	36,261,108	18,494,210	1,776,690	20,270,900	15,990,208	10%
Plant and machinery	3,169,958,531	-	155,564,454	3,202,649,450	1,283,774,773	189,911,290	1,377,690,367	1,824,959,083	10%
			(122,873,535)			(95,995,696)			
Electric installation	78,160,071	-	-	78,160,071	46,714,987	3,144,509	49,859,496	28,300,575	10%
Factory equipment	11,198,651	-	78,900	11,277,551	5,278,153	599,283	5,877,436	5,400,115	10%
Furniture and fixture	7,706,171	-	1,733,591	8,843,531	4,866,601	354,642	4,712,375	4,131,156	10%
			(596,231)			(508,868)			
Office equipment	9,702,009	-	350,700	10,052,709	5,792,515	411,998	6,204,513	3,848,196	10%
Arms and ammunition	328,774	-	-	328,774	194,334	13,444	207,778	120,996	10%
Vehicles	59,340,163	-	35,655,310	70,051,780	24,443,309	7,651,286	20,883,375	49,168,405	20%
			(24,943,693)			(11,211,220)			
	3,787,779,194	47,276,000	194,540,571	3,881,182,306	1,578,695,769	220,694,272	1,691,674,257	2,189,508,049	
			(148,413,459)			(107,715,784)			

13.1.1 Operating fixed assets - as at June 30, 2018

Description	COST / REVALUED AMOUNT				DEPRECIATION			Net book value as at June 30, 2018	Annual rate of depreciation
	As at July 01, 2017	Revaluation	Additions / (disposals)	As at June 30, 2018	As at July 01, 2017	For the year / (on disposals)	As at June 30, 2018		
	Rupees								
Owned									
Freehold land (note 13.1.5)	57,772,000	-	-	57,772,000	-	-	-	57,772,000	-
Buildings on freehold land									
- Factory	243,838,871	-	1,819,074	245,657,945	120,728,153	12,461,495	133,189,648	112,468,297	10%
- Residential	111,693,771	-	-	111,693,771	49,751,884	6,195,355	55,947,239	55,746,532	10%
Buildings on leasehold land	22,391,752	-	13,869,356	36,261,108	17,932,730	561,480	18,494,210	17,766,898	10%
Plant and machinery	2,991,194,116	-	178,764,415	3,169,958,531	1,089,737,287	194,037,486	1,283,774,773	1,886,183,758	10%
Electric installation	75,947,691	-	2,212,380	78,160,071	43,446,424	3,268,563	46,714,987	31,445,084	10%
Factory equipment	9,238,518	-	1,960,133	11,198,651	4,656,618	621,535	5,278,153	5,920,498	10%
Furniture and fixture	7,319,198	-	386,973	7,706,171	4,568,111	298,490	4,866,601	2,839,570	10%
Office equipment	9,479,049	-	222,960	9,702,009	5,369,292	423,223	5,792,515	3,909,494	10%
Arms and ammunition	328,774	-	-	328,774	179,396	14,938	194,334	134,440	10%
Vehicles	57,542,711	-	11,481,362	59,340,163	21,827,065	7,633,566	24,443,309	34,896,854	20%
			(9,683,910)			(5,017,322)			
	3,586,746,451	-	210,716,653	3,787,779,194	1,358,196,960	225,516,131	1,578,695,769	2,209,083,425	
			(9,683,910)			(5,017,322)			

13.1.2 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
	---------- Rupees ----------						
Vehicles							
LEH-109 Honda Civic	2,439,435	1,083,326	1,356,109	1,760,000	403,891	Negotiations	Zubair Sikandar
LES-08-9467 Toyota Hilux	59,950	42,869	17,081	1,250,000	1,232,919	Negotiations	Muhammad Mohsin Mumtaz
LEA-13-9378 Suzuki Cultus	1,099,725	713,920	385,805	760,000	374,195	Negotiations	Sharafat Ali
LEO-14-5709 Motor Cycle	72,985	47,381	25,604	33,000	7,396	Negotiations	Abdul Qayyum
LEL-5467 Motor Cycle	67,035	29,662	37,373	33,000	(4,373)	Negotiations	Abdul Qayyum
LE-15-4208 Suzuki Swift	1,271,280	763,580	507,700	1,000,000	492,300	Negotiations	Pervaiz Ahmed
LE-17-114 BMW i8	15,890,066	5,805,171	10,084,895	11,000,000	915,105	Negotiations	Standard Spinning Mills Pvt Ltd
LEP-14-4294 CD-70 Motor Cycle	73,389	49,941	23,448	32,500	9,052	Negotiations	Muhammad Iqbal
LEV-6895 70CC Honda Motor Cycle	67,065	36,662	30,403	32,500	2,097	Negotiations	Muhammad Iqbal
LEL-13B-1540 CD-70 Motor Cycle	71,575	50,387	21,188	32,500	11,312	Negotiations	Muhammad Iqbal
LE-13-4502 Honda City	1,694,805	1,277,727	417,078	1,325,000	907,922	Negotiations	Muhammad Asim Mumtaz
LEF-9049 Suzuki Cultus	1,072,538	549,330	523,208	830,000	306,792	Negotiations	Sharafat Ali
LEA-13-6269 Suzuki Cultus	1,063,845	761,264	302,581	795,000	492,419	Negotiations	Abdul Hameed Chohan
Plant and machinery							
12 Looms Airjet	36,075,760	29,511,524	6,564,236	8,946,150	2,381,914	Negotiations	H T M Textile Trading L.L.C
Gas Engine Complete With Accessories	68,330,431	50,367,468	17,962,963	17,304,350	(658,613)	Negotiations	Orient Energy Systems (Pvt) Ltd
Air Compressor	16,895,572	14,744,997	2,150,575	4,028,475	1,877,900	Negotiations	H T M Textile Trading L.L.C
Chiller 30HK	1,571,772	1,371,707	200,065	353,375	153,310	Negotiations	H T M Textile Trading L.L.C
Furniture and fixture							
Air Condition	22,000	19,568	2,432	5,500	3,068	Negotiations	M Gulfam
Air Condition	20,800	17,960	2,840	5,500	2,660	Negotiations	M Gulfam
Air Condition	172,486	161,698	10,788	38,129	27,341	Negotiations	Muhammad Tajamul Khan
Air Condition	26,560	23,840	2,720	5,871	3,151	Negotiations	Muhammad Tajamul Khan
Refrigerators and Air Conditioners	354,385	285,802	68,583	128,300	59,717	Negotiations	AL Sheikh Kabaria
2019	**148,413,459**	**107,715,784**	**40,697,675**	**49,699,150**	**9,001,475**		
2018	9,683,910	5,017,322	4,666,588	6,841,000	2,174,412		

13.1.3 Disposal of property, plant and equipment has been made to third parties on arm length basis.

		Note	2019 Rupees	2018 Rupees
13.1.4	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	28	212,262,901	217,145,917
	Administrative expenses	30	8,431,371	8,370,214
			220,694,272	225,516,131

13.1.5 The Company follows the revaluation model for its Land. Fair value measurement as at March 30, 2019 was performed by "Hamid Mukhtar & Co (Private) Limited", an independent valuers not connected with the Company. The fair value of the freehold land amounting to Rs. 105.04 million is ascertained according to the local market and the forced sale value of land is Rs. 89.29 million.

Particulars of immovable property (i.e., land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total area (in Kanals)	Covered area (in Kanals)
13.5 Km, Sharaqpur Road, Sheikhupura,Punjab	Manufacturing facility	210	83

Details of the Company's assets and information about fair value hierarchy as at June 30, 2019 are as follows:

The table below analyses the assets carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets 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., derived from prices)

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

	Level 1	Level 2	Level 3	Total
	----------Rupees----------			
Freehold land	-	105,048,000	-	105,048,000

	Note	2019 Rupees	2018 Rupees
Had there been no revaluation, the carrying value of the freehold land would have been		2,207,366	2,207,366

13.1.6 Capital work in progress

	2019 Rupees	2018 Rupees
Plant and machinery	96,692	-
Advances for building on freehold land	4,884,113	-
	4,980,805	-
As at July 01	-	25,141,525
Additions	193,829,831	184,227,276
Transfer to property, plant and equipment	(188,849,026)	(209,368,801)
As at June 30	4,980,805	-

14 INTANGIBLE ASSETS

This represents computer software and ERP system.

	Note	2019 Rupees	2018 Rupees
Cost			
As at July 01		5,893,472	5,893,472
Additions		-	-
As at June 30		5,893,472	5,893,472
Accumulated amortization			
As at July 01		2,455,613	1,276,919
Amortization during the year	14.1	1,178,694	1,178,694
As at June 30		3,634,307	2,455,613
		2,259,165	3,437,859

14.1 The amortization has been charged to administrative expenses.

15 LONG TERM DEPOSITS

These includes interest free refundable security deposits given to various organizations.

16 SALES TAX REFUND BONDS

Sales tax refund bonds are issued by the FBR Settlement Company (Private) Limited against sales tax refundable of Rs. 28.6 million under section 67A of the Sales Tax Act, 1990. The bonds so issued bear profit @ 10% per annum. Profit accrued on sales tax refund bonds for the period amount to Rs. 0.24 million. These bonds will mature by June 27, 2022. These are classified and measured at amortized cost.

17 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2019 Rupees	2018 Rupees
Stores, spare parts and loose tools		**60,478,828**	42,437,056
Sizing material		**7,362,265**	7,531,029
		67,841,093	49,968,085

18 STOCK-IN-TRADE

Raw material	**348,723,399**	203,365,709
Work-in-process	**96,033,482**	66,124,675
Finished goods	**75,507,815**	88,881,054
	520,264,696	358,371,438

19 TRADE RECEIVABLES

Considered good:

Local - unsecured	**409,450,491**	272,660,515
Foreign - secured	**502,409,446**	440,386,320
	911,859,937	713,046,835

19.1 Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of credit customers, to assess whether or not impairment allowance is required. Further, as disclosed in note 2.1.4.1, considering that there is no history of default in trade receivable balances and forward looking information, the Company has not recognized any impairment allowance on these balances.

20 ADVANCES

	Note	2019 Rupees	2018 Rupees
Suppliers - unsecured		**4,863,696**	29,091,641
Staff - secured	**20.1**	**932,348**	5,932,942
Letters of credit	**20.2**	**8,952,509**	2,241,497
		14,748,553	37,266,080

20.1 These are interest free advances to employees, other than executives, repayable within one to six months.

20.2 These include advances paid in respect of letters of credit for spare parts and raw material.

21 SHORT TERM PREPAYMENTS

	2019 Rupees	2018 Rupees
Prepaid insurance	**1,409,009**	1,327,041
Prepaid rent	**244,019**	221,834
Prepaid guarantee commission	**383,952**	240,973
	2,036,980	1,789,848

22 OTHER RECEIVABLES

Export rebate receivable	**7,357,369**	36,245,140
Sundry receivables	**419,853**	73,972
	7,777,222	36,319,112

23 SALES TAX REFUNDABLE

This represents accumulated differences of input tax on purchases and output tax payable.

		Note	2019 Rupees	2018 Rupees
24	**OTHER FINANCIAL ASSETS**			
	Investments designated at FVTPL			
	Equity investments	**24.2**	**95,327,811**	-
	Mutual funds		**5,325,290**	-
			100,653,101	-
	Investments classified as FVTOCI			
	Equity investments	**24.3**	**334,264,021**	-
	Mutual funds	**24.3**	**9,706,247**	-
			343,970,268	-
	Available for sale investments			
	Equity investments	**24.2**	**-**	425,477,427
	Mutual funds		**-**	25,809,712
			-	451,287,139
			444,623,369	451,287,139

24.1 Reconciliation between fair value and cost of equity investments classified at FVTOCI / available for sale

	Note	2019 Rupees	2018 Rupees
Fair value of investments			
- in listed equity securities	**24.3**	**334,264,021**	425,477,427
- in mutual funds	**24.3**	**9,706,247**	25,809,712
		343,970,268	451,287,139
Unrealized (loss) / gain on remeasurement of investments		**(50,795,934)**	5,795,796
Transfer of unrealized loss due to impairment of equity investment		**-**	(23,753,981)
		(50,795,934)	(17,958,185)
Cost of investment		**394,766,202**	469,245,324

24.2 Equity investments designated at FVTPL of Rs. 95.327 million (2018: available for sale investments of Rs. 111.376 million) are held in Specially Managed Account maintained with and managed by NBP Asset Management Company Limited.

24.3 Investments in securities and mutual funds classified at FVTOCI

Securities

Name of Companies	No. of shares		Cost		Fair value	
	2019	2018	2019	2018	2019	2018
			------------Rupees--------------		------------Rupees--------------	
Agriauto Industries Limited	16,300	16,300	7,240,027	7,240,027	3,259,345	4,808,500
Bank Alfalah Limited	271,850	133,500	11,603,255	5,481,837	11,849,942	6,980,715
Bank Al Habib Limited	483,500	483,500	24,961,139	24,961,139	37,896,730	38,114,305
Century Paper & Board Mills Limited	60,500	60,500	5,431,927	5,431,927	1,884,575	3,841,750
Engro Fertilizers Limited	1,335,500	1,335,500	87,396,309	87,396,309	85,431,935	100,042,305
Fatima Fertilizer Company Limited	365,000	365,000	12,064,996	12,064,996	10,895,250	11,826,000
Fauji Cement Company Limited	1,250,000	1,250,000	28,562,500	28,562,500	19,662,500	28,562,500
Habib Bank Limited	410,600	-	59,920,510	-	46,504,556	-
Habib Metropolitan Bank Limited	447,000	447,000	16,202,628	16,202,628	16,127,760	19,377,450
Loads Limited	110,000	110,000	4,862,355	4,862,355	1,662,100	3,429,800
Mari Petroleum Company Limited	16,302	14,820	21,532,561	21,532,561	16,454,098	22,321,588
Mcb Bank Limited	100,000	100,000	21,037,695	21,037,695	17,445,000	19,777,000
Oil & Gas Development Company Limited	150,000	100,000	23,795,648	16,417,604	19,723,500	15,562,000
United Bank Limited	308,500	233,500	54,201,909	44,637,721	45,466,730	39,456,830
	5,325,052	**4,649,620**	**378,813,459**	**295,829,299**	**334,264,021**	**314,100,743**

Mutual Funds

Name of Fund	No. of Units		Cost		Fair value	
	2019	2018	2019	2018	2019	2018
			------------Rupees--------------		------------Rupees--------------	
NAFA Islamic Energy Fund	1,059,820	1,059,820	15,943,542	15,716,230	9,697,034	13,184,825
NAFA Riba-Free Savings Fund	892	892	9,084	9,084	9,096	9,390
NBP Islamic Savings Fund	12	12	117	117	117	120
	1,060,724	1,060,724	15,952,743	15,725,431	9,706,247	13,194,335

These investments have been classified at FVTOCI as they have been held for medium to long term periods .

		Note	2019 Rupees	2018 Rupees
24.4	**Unrealised loss on remeasurement of equity investments classified at FVTOCI / available for sale**			
	Opening balance		**5,795,796**	(8,067,254)
	Effect of change in accounting policy as mentioned in Note 2.1.4.1		**9,944,549**	-
	Charge for the period		**(66,536,279)**	(7,442,016)
	Transfer of realised loss to profit or loss		**-**	1,114,182
	Transfer of unrerealized loss due to impairment of investments classified as available for sale		**-**	23,753,981
	Related tax impact		**-**	(3,563,097)
			(56,591,730)	13,863,050
	Closing balance		**(50,795,934)**	5,795,796

		Note	2019 Rupees	2018 Rupees
25	**ADVANCE INCOME TAX - NET**			
	Balance at beginning of the year		**142,234,647**	157,554,473
	Paid during the year		**35,980,817**	27,749,110
			178,215,464	185,303,583
	Provision for taxation		**(81,957,933)**	(43,068,936)
	Balance at end of the year		**96,257,531**	142,234,647
26	**CASH AND BANK BALANCES**			
	Cash in hand		**540,382**	610,849
	Cash at banks:			
	- Current accounts	**26.1**	**113,710,690**	167,101,659
			114,251,072	167,712,508

26.1 Cash at banks include current accounts in local currency amounted to Rs. 112.12 million (2018: Rs. 164.18 million) and foreign currency amounted to Rs. 1.58 million (2018: Rs. 2.91 million)

27 SALES - NET

The Company derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines

	2019 Local	2019 Export	2019 Total	2018 Total
	- - - - - - - -	- - - - - - - -	Rupees - - - -	- - - - - - - -
Cloth	**5,230,168,556**	**1,772,562,072**	**7,002,730,628**	6,093,357,840
Yarn	**9,628,316**	**-**	**9,628,316**	2,072,024
Waste	**101,573,725**	**-**	**101,573,725**	85,429,390
	5,341,370,597	**1,772,562,072**	**7,113,932,669**	6,180,859,254
Less: Sales tax on waste	**(2,071,921)**	**-**	**(2,071,921)**	(1,731,710)
Add: Export rebate	**-**	**415,586**	**415,586**	33,303,497
	5,339,298,676	**1,772,977,658**	**7,112,276,334**	6,212,431,041

		Note	2019 Rupees	2018 Rupees
28	**COST OF SALES**			
	Raw material consumed	**28.1**	**5,018,635,502**	4,402,517,721
	Fuel and power		**542,570,088**	544,360,182
	Salaries, wages and benefits	**28.2**	**381,108,063**	366,621,812
	Stores and spares consumed		**77,649,590**	55,068,022
	Sizing material consumed		**127,052,216**	117,486,887
	Packing material consumed		**28,683,702**	25,016,952
	Depreciation	**13.1.4**	**212,262,901**	217,145,917
	Insurance		**12,447,788**	8,750,629
	Repairs and maintenance		**4,368,899**	3,333,915
	Vehicles running and maintenance		**6,698,938**	5,369,220
	Traveling and conveyance		**568,193**	661,819
	Lease rentals-land	**28.3**	**343,840**	342,834
	Entertainment		**1,168,003**	1,220,898
	Fee and subscription		**736,470**	255,941
	Others		**5,391,697**	5,669,855
			6,419,685,890	5,753,822,604

	Note	2019 Rupees	2018 Rupees
Work-in-process:			
At beginning of the year		**66,124,675**	70,882,274
At end of the year	18	**(96,033,482)**	(66,124,675)
		(29,908,807)	4,757,599
Cost of goods manufactured		**6,389,777,083**	5,758,580,203
Finished goods:			
At beginning of the year		**88,881,054**	186,253,433
Purchased during the year		**2,342,382**	926,925
At end of the year	18	**(75,507,815)**	(88,881,054)
		15,715,621	98,299,304
		6,405,492,704	5,856,879,507

28.1 Raw material consumed

	Note	2019 Rupees	2018 Rupees
At beginning of the year		**203,365,709**	128,812,965
Purchases - net		**5,163,993,192**	4,477,070,465
		5,367,358,901	4,605,883,430
At end of the year	18	**(348,723,399)**	(203,365,709)
		5,018,635,502	4,402,517,721

28.2 Staff salaries, wages and benefits include employee retirement benefits amounting to Rs. 21.572 million (2018: Rs. 22.748 million).

28.3 It represents the lease rental related to land obtained under operating lease arrangement from Nagina Cotton Mills Limited, (a related party).The agreement has been renewed in current year from March 01, 2019 and ending on February 28, 2021 against annual rental of Rs. 366,025 (2018: Rs. 332,750).

29 DISTRIBUTION COST

	Note	2019 Rupees	2018 Rupees
Export			
Ocean freight and forwarding		**3,662,059**	9,437,701
Transportation and octroi		**4,804,029**	5,044,694
Export development surcharge		**4,563,583**	3,912,509
Commission		**25,735,627**	15,928,577
Travelling expenses foreign		**8,412,397**	5,264,723
Others		**8,079,103**	9,294,268
		55,256,798	48,882,472
Local			
Freight, handling and transportation		**3,783,733**	2,651,030
Commission		**33,154,126**	26,195,352
Others		**8,347,821**	931,738
		45,285,680	29,778,120
		100,542,478	78,660,592

30 ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Staff salaries and benefits	30.1	**56,242,092**	45,443,259
Directors' remuneration		**9,398,179**	7,547,932
Vehicles running and maintenance		**5,754,705**	5,357,127
Depreciation	13.1.4	**8,431,371**	8,370,214
Amortization	14.1	**1,178,694**	1,178,694
Insurance		**3,650,907**	3,280,532
Telephone, telex and postage		**1,081,162**	1,212,783
Electricity		**4,130,419**	3,402,576
Fee and subscription		**2,013,903**	2,095,812
Auditors' remuneration	30.2	**1,355,000**	1,355,000
Printing and stationery		**957,422**	873,819
Legal and professional charges		**4,107,374**	2,662,563
Lease rentals	30.3	**914,760**	831,600
Repairs and maintenance		**38,954**	18,605
Directors' meeting fee		**445,000**	420,000
Advertising		**133,559**	96,078
Others		**520,942**	410,231
		100,354,443	84,556,825

30.1 Staff salaries and benefits include employee retirement benefits amounting to Rs. 8.78 million (2018: Rs. 3.60 million).

		2019	2018
30.2	**Auditors' remuneration**	**Rupees**	Rupees
	Annual statutory audit	**1,000,000**	1,000,000
	Half yearly review	**220,000**	220,000
	Review report on Code of Corporate Governance	**85,000**	85,000
	Out of pocket expenses	**50,000**	50,000
		1,355,000	1,355,000

30.3 It represents the lease rental related to land obtained under operating lease arrangement from Nagina Cotton Mills Limited, (a related party).The agreement has been renewed in current year from January 01, 2019 and ending on December 31, 2019 against annual rental of Rs. 958,320 (2018: Rs. 871,200).

			2019	2018
31	**OTHER OPERATING EXPENSES**	**Note**	**Rupees**	Rupees
	Workers' Profit Participation Fund	**9.2**	**16,997,447**	2,937,521
	Workers' Welfare Fund		**3,772,711**	1,116,258
	Donations	**31.1**	**300,000**	1,750,000
	Exchange loss	**31.2**	**-**	7,568,820
	Loss on forward contracts		**4,586**	762,479
	NAFA fund charges		**1,593,125**	1,554,831
	Loss on sale of investments classified as AFS		**-**	1,114,182
	Impairment loss on investments classified as AFS		**-**	23,753,981
	Loss on investments designated at FVTPL		**7,094,183**	-
	Loss on sale of investments designated at FVTPL		**20,256,526**	-
			50,018,578	40,558,072

31.1 Donation of Rs. 0.30 million has been given to Lahore Businessmen Association for Rehabilitation of the Disabled Persons(LABARD). No director or his spouse had any interest in the donees.

31.2 This represents exchange loss on US ($) loans obtained under short term financing.

			2019	2018
32	**OTHER INCOME**	**Note**	**Rupees**	Rupees
	Dividend income on investments classified at FVTOCI		**28,234,502**	-
	Dividend income on investments designated at FVTPL		**6,571,706**	-
	Dividend income on available for sale investments		**-**	30,538,052
	Interest income on sales tax refund bonds		**242,137**	-
	Exchange gain		**541,690**	-
	Exchange gain on debtors		**226,110**	14,649,295
	Gain on sale of property, plant and equipment	**13.1.2**	**9,001,475**	2,174,412
			44,817,620	47,361,759
33	**FINANCE COST**			
	Mark-up on:			
	Long term finances from banking companies		**78,929,037**	80,633,214
	Short term borrowings		**94,409,665**	54,749,922
	Workers' Profit Participation Fund		**303,007**	234,666
			173,641,709	135,617,802
	Bank charges and commission		**7,865,259**	8,823,365
			181,506,968	144,441,167
34	**PROVISION FOR TAXATION**			
	Current		**81,219,981**	43,068,936
	Prior		**737,952**	-
			81,957,933	43,068,936
	Deferred	**8.1**	**27,186,409**	(43,068,936)
			109,144,342	-

34.1 Numerical reconciliation between the average effective tax rate and applicable tax rate

	2019	2018
	---------------------- % ----------------------	
Applicable tax rate	**29.00**	30.00
Tax effects of amounts that are:		
Effect of change in rate and local sales ratio	**3.55**	59.10
Effect of tax paid on NTR admissible, inadmissible	**4.93**	-
Effect of temporary difference and tax credits	**(3.63)**	-
Effect of income chargeable at different tax rates	**-**	-
Recognition of previously unrecognized tax credits	**-**	(32.30)
Recognition of previously unrecognized tax losses	**-**	(56.80)
Others	**0.35**	-
Average effective tax rate	**34.20**	-

34.2 The income tax assessments of the Company upto and including tax year 2018 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Income Tax Ordinance, 2001 (‘Ordinance’), except for the amendments and other proceedings mentioned below:

34.3 Tax year 2008

The Additional Commissioner Inland Revenue (‘ACIR’) initiated proceedings under section 122(5A) of the Ordinance through notice dated January 9, 2014 wherein intentions were shown to amend the assessment under section 120 of the Ordinance on the basis of certain issues stated therein. The proceedings were finalized through order dated March 31, 2014 where the ACIR accepted Company’s contentions on all issues except for the issue of ‘allocation of expenses’, mark-up on loans from directors and allocation of interest on swap transactions. The ACIR did not raise any demand in view of available prior year refunds. However the Company filed an appeal with the Commissioner Inland Revenue (Appeals) [‘CIR(A)’] against the order and the appeal was decided in favor of the Company on the grounds of time limitation, through the appellate order dated October 30, 2014. The department has appealed against the aforementioned order with the Appellate Tribunal Inland Revenue, however due to the order of the Honorable Supreme Court in the matter of Civil Petition no. 1306 of 2014, the Company’s stance stands vindicated, and accordingly management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

34.4 Tax year 2003

The Company’s case was selected for audit by the department for tax year 2003 in terms of section 177 of the Income Tax Ordinance (‘Ordinance’) vide letter dated November 13, 2006. The audit proceedings concluded by the department through order dated September 29, 2008 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 13.54 million by making certain disallowances / additions out of the profit and loss account. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) [‘CIR(A)’] against this order. However, the [‘CIR(A)’], through order, dated June 13, 2009 partially allowed relief to the Company. Both the Company and the department filed appeals before the Appellate Tribunal Inland Revenue (‘ATIR’).

The department has, however, given the effect of the above referred appellate order through order dated September 30, 2009, reducing the impugned demand to Rs. 5.38 million. Management is of the view that there are meritorious grounds available to defend the foregoing demands, consequently no provision for such demands has been made in these financial statements.

34.5 For Transitional tax year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3.34 million and tax payable at Rs. 1.17 million The tax demand raised through the aforementioned order has been adjusted by the department against tax refund available from tax year 2007 through adjustment memo dated July 14, 2011.

The Company has filed an appeal against the above referred order before [‘CIR(A)’] which is pending for adjudication. The management is of the view that there are meritorious grounds available to defend the foregoing demands. Consequently no provision for such demands has been made in these financial statements.

34.6 For tax year 2014

The Company’s case was selected for audit by the department for tax year 2014 in terms of section 177 of the Income Tax Ordinance (‘Ordinance’) vide letter dated December 4, 2018. The audit proceedings concluded by the department through order dated March 30, 2019 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 5.94 million by making certain disallowances / additions out of the profit and loss account. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) [‘CIR(A)’] against this order which is yet to be fixed for a hearing.

35 EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share is based on the following data:

	2019	2018
Profit after taxation for the year **- (Rupees)**	**210,034,441**	54,696,637
Number of shares outstanding	**18,480,000**	18,480,000
Earnings per share - Basic **- (Rupees)**	**11.37**	2.96

There is no dilutive effect on the basic earnings per share of the Company.

36 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	……………….2019……………….….			……………….2018……………….….		
	Rupees			Rupees		
Remuneration	5,600,000	8,400,000	7,936,960	4,576,648	6,864,972	4,576,000
Utilities	-	998,179	-	-	682,960	-
Gratuity	1,385,496	-	1,537,407	866,808	-	846,904
Other allowances	2,800,000	-	3,968,480	2,288,324	-	2,288,000
	9,785,496	9,398,179	13,442,847	7,731,780	7,547,932	7,710,904
Number of persons	1	1	5	1	1	3

36.1 In addition to above, the Directors have been provided with Company maintained cars.

36.2 In addition to above, 2 (2018: 2) Non Executive directors were paid aggregate meeting fee of Rs. 445,000 (2018: Rs.420,000).

37 CASH GENERATED FROM OPERATIONS

	2019 Rupees	2018 Rupees
Profit before taxation	319,178,783	54,696,637
Adjustments for:		
Depreciation on property, plant and equipment	220,694,272	225,516,131
Amortization of intangible assets	1,178,694	1,178,694
Provision for employee benefits	30,359,782	26,356,003
Dividend income	(34,806,208)	(30,538,052)
Gain on disposal of property, plant and equipment	(9,001,475)	(2,174,412)
Loss on sale of short term investments	20,256,526	1,114,182
Impairment loss on short term investments	-	23,753,981
Fair value loss on other financial assets	7,094,183	
Finance cost	181,506,968	144,441,167
	417,282,742	389,647,694
Operating cash flows before working capital changes	736,461,525	444,344,331
Changes in working capital		
(Increase) / decrease in:		
Stores, spare parts and loose tools	(17,873,008)	(8,948,105)
Stock-in-trade	(161,893,258)	27,577,234
Trade receivables	(198,813,102)	(80,602,101)
Advances	22,517,527	21,132,038
Short-term prepayments	(247,132)	(15,291)
Other receivables	28,541,890	2,383,810
Sales tax refundable	(17,860,464)	91,351,516
	(345,627,547)	52,879,101
(Decrease) / Increase in:		
Trade and other payables	56,424,690	(15,941,066)
Cash generated from operations	447,258,668	481,282,366

38 FINANCIAL RISK MANAGEMENT

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

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

38.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Expected Credit Loss (ECL) on financial assets are measured as an allowance equal to lifetime ECL for trade receivables and 12-month ECL for other financial assets. An asset moves to lifetime ECL category when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company is exposed to credit risk from its operating activities primarily for local trade receivables, sundry receivables and other financial assets for which the Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

38.1.1 Counterparties

The Company conducts the following major types of the transactions with the counterparties:

Trade receivables

Trade receivables are essentially due from local customers against sale of cloth and from foreign customers against supply of cloth and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit evaluation. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of security.

Banks and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The names and credit ratings of major banks, where the Company maintains bank balances as at June 30, 2019 are as follows:

		Credit Rating	
Bank Name	**Rating Agency**	**Short Term**	**Long Term**
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Habib Bank Limited	JCR-VIS	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
The Bank of Punjab	PACRA	A1+	AA
MCB Bank Limited	PACRA	A1+	AAA

38.1.2 Exposure to credit risk

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

	Note	2019 Rupees	2018 Rupees
Trade receivables	**19**	**911,859,937**	713,046,835
Bank balances	**26**	**113,710,690**	167,101,659
Sales tax refund bonds	**16**	**28,600,000**	-
		1,054,170,627	880,148,494

Geographically there is no concentration of credit risk.
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Cloth	**911,859,937**	713,046,835

There is no single significant customer in the trade receivables of the Company.
The maximum exposure to credit risk for trade receivables at the reporting date by type of product was:

Textile	**911,859,937**	713,046,835

Ageing analysis of trade receivables subject to credit risk

1 to 90 days	**840,748,661**	648,016,985
91 to 180 days	**71,111,276**	65,029,850
	911,859,937	713,046,835

38.2 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 balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in note 11.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

38.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay.

Fair values of all other financial assets and liabilities approximate their fair values.
For effective markup rate please see note 6.2 and note 11.2 to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2019	2018
Trade and other payables	**Rupees**	Rupees
Maturity upto one year	**414,440,230**	372,883,942
Accrued interest / markup		
Maturity upto one year	**43,411,088**	35,059,916
Unclaimed dividend		
Maturity upto one year	**4,890,794**	4,574,516
Short term borrowings		
Maturity upto one year	**1,020,731,819**	1,030,068,055
Long term finances		
Maturity upto one year	**271,872,149**	207,183,323
Maturity after one year and upto five years	**914,663,284**	927,941,234
Maturity after five years	**487,005,823**	564,439,022
	1,673,541,256	1,699,563,579
	3,157,015,187	3,142,150,008

38.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

38.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

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

- **Transactional exposure in respect of non functional currency expenditure and revenues**

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

- **Exposure to foreign currency risk**

The Company's net exposure to foreign currency risk was as follows based on notional amounts:

	Currency	2019	2018
Trade receivables	**USD**	**2,978,826**	3,327,134
Trade receivables	**CNY**	**1,099,540**	-
		4,078,366	3,327,134

The following significant exchange rates have been applied:

	Average rate		Reporting date mid spot rate	
	2019	2018	**2019**	2018
	Rupees	Rupees	**Rupees**	Rupees
USD 1	**138.66**	110.63	**160.20**	121.50

Commitments outstanding at year end amounted to Euro 0.64 million (2018: Nil), USD: Nil (2018: USD 0.39 million), CNY: Nil (2018: CNY 1.80 million) and JPY : Nil (2018: 10.24 million) relating to letter of credits for import of stores, spare parts and raw material.

Sensitivity analysis

At June 30 if Rupee had weakened / strengthened by 5% against US dollar with all other variables held constant, the Company's profit for the year would have decreased / increased by Rs. 11.184 million (2018: Rs. 22.019 million) mainly as a result of foreign exchange gains / losses on foreign currency transactions.

38.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments	**2019**	2018	**2019**	2018
	-------------% -------------		------------- Rupees -------------	
Financial liabilities				
Long term finances	2.50%	2.50%	**166,459,000**	127,688,000
	2.50%	Nil	**142,390,000**	-
	6.50%	6.50%	**29,052,865**	41,965,245
	6.50%	6.50%	**209,635,245**	246,093,549
	8.00%	6.50-7.25%	**117,371,802**	176,057,702
	3.50%	3.50%	**146,821,581**	170,313,033
	2.50%	2.50%	**638,927,713**	659,538,284
	2.50%	2.50%	**30,475,885**	30,475,885
			1,481,134,091	**1,452,131,698**

Floating rate instruments	**2019**	2018	**2019**	2018
	-------------% -------------		------------- Rupees -------------	
Financial assets				
Mutual funds			**5,325,290**	25,809,712
			5,325,290	25,809,712
Financial liabilities				
Long term finances	7.92% to 12.34%	7.14% to 7.85%	**192,407,165**	247,431,881
Short term borrowings	6.51% to13.80%	1.5% to 7.42%	**1,020,731,819**	1,030,068,055
			1,213,138,984	1,277,499,936

Fair value sensitivity analysis for fix rate instruments

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

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on finance cost).

	Increase / (decrease) in basis points	**Decrease / (increase) of profit**
	Points	**Rupees**
2019	+ (-) 200	**3,466,774**
2018		1,134,841

38.3.3 Equity price risk management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. Nil.
At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 444.62 million

38.3.4 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk, currency risk or equity price), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

38.4 Determination of fair values

Fair value of financial instruments

Fair value as 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 financial instrument, if any, that are not traded in active market are carried at cost and are tested for impairment according to IFRS 9.

The carrying amount less impairment provision, if any, of trade receivables and payables and financial liabilities are assumed to approximate to their fair values.

38.5 Fair value hierarchy

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets 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., derived from prices).

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

The Following table presents the Funds / Company's financial assets which are carried at fair value:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	Rs			
Financial assets - at fair value				
Equity Investments designated at FVTPL	95,327,811	-	-	95,327,811
Equity Investments designated at FVTOCI	334,264,021	-	-	334,264,021
Mutual funds	5,325,290	-	-	5,325,290
	434,917,122	-	-	434,917,122

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rs			
Financial assets - at fair value				
Equity Investments Available for sale	425,477,427	-	-	425,477,427
Mutual funds	25,809,712	-	-	25,809,712
	451,287,139	-	-	451,287,139

At June 30, 2019, the Company holds short term investments where the company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

38.6 CAPITAL RISK MANAGEMENT

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 bene?ts for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

	2019	2018
	Rupees	Rupees
Total borrowings	**2,694,273,075**	2,729,631,634
Cash and bank balance	**(114,251,072)**	(167,712,508)
Net debt	**2,580,022,003**	2,561,919,126
Total equity	**1,154,588,395**	1,001,076,612
Total capital	**3,734,610,398**	3,562,995,738
Gearing ratio	**69.08%**	71.90%

39 TRANSACTIONS WITH RELATED PARTIES

Related parties from the Company's perspective comprise, associated undertakings, key management personnel (including chief executive and directors), their close family members and post retirement benefit plans. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out on permissible basis and agreed terms.

Amounts due from and to related parties are shown under receivables and payables, if any, and remuneration of directors and key management personnel is disclosed in note 36.

Other significant transactions with related parties are as follows:

Nature of relation	Nature of transactions	2019 Rupees	2018 Rupees
Associated company	Purchase of goods and services	**1,567,880,745**	783,527,872
	Sale of goods and services	**288,794**	22,419,375
	Dividend paid	**11,158,566**	11,158,566
	Rent expense	**1,280,785**	1,164,350
Key management personnel	Payment of dividend to directors and their close family members	**21,218,126**	21,218,126

39.1 Following are the related parties with whom the Company had entered into transaction or have arrangements / agreement in place.

Name of related party	Basis of relationship	Aggregate % of Shareholding in the Company
Ellahi International Private Limited	Associated Company - Common Director	20%
ARH (Private) Limited	Associated Company - Common Director	9%
Monell (Private) Limited	Associated Company - Common Director	0.28%
Pacific Industries(Private) Limited	Associated Company - Common Director	N/A
ICARO (Private) Limited	Associated Company - Common Director	0.28%
Haroon Omer (Private) Limited	Associated Company - Common Director	0.28%

Name of related party	Basis of relationship	Aggregate % of Shareholding in the Company
Nagina Cotton Mills Limited	Associated Company - Common Director	N/A
Ellcot Spinning Mills Limited	Associated Company - Common Director	N/A
Mr. Shahzada Ellahi Shaikh	Key management personnel	11%
Mr. Shaukat Ellahi Shaikh	Key management personnel	12%
Mr. Shafqat Ellahi Shaikh	Key management personnel	11%
Mr. Haroon Shahzada Ellahi Shaikh	Key management personnel	4%
Mr. Tariq Zafar Bajwa	Key management personnel	0.03%
Mr. Amin Ellahi Shaikh	Key management personnel	8%
Mr. Hasan Ahmed	Key management personnel	0.03%
Mr. Javaid Bashir Sheikh	Key management personnel	0.03%
Mr. Raza Ellahi Shaikh	Key management personnel	8%
Mr. Omer Ellahi Shaikh	Close family members of key management	4%
Mrs. Hummera Shahzada	Close family members of key management	0.02%
Mrs. Mona Shaukat	Close family members of key management	0.02%
Mrs. Shaista Shafqat	Close family members of key management	0.02%
Mrs. Mehreen Saadat	Close family members of key management	0.10%

40 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening	Net cash flows	Closing
2019	----- Rupees -----		
Long term finances	1,699,563,579	(26,022,323)	1,673,541,256
Short term borrowings	1,030,068,055	(9,336,236)	1,020,731,819
	2,729,631,634	**(35,358,559)**	**2,694,273,075**
2018			
Long term finances	1,818,510,136	(118,946,557)	1,699,563,579
Short term borrowings	968,807,297	61,260,758	1,030,068,055
	2,787,317,433	(57,685,799)	2,729,631,634

41 PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
Air Jet Looms installed (Number)	**328**	324
Installed capacity at 50 Picks (meters)	**68,741,071**	68,695,131
Actual production (meters)	**54,185,732**	49,598,951
Actual production after conversion into 50 Picks (meters)	**75,766,121**	69,475,378

The difference between installed capacity and actual production is in normal course of business.

42 NUMBER OF EMPLOYEES

	At year end		Average	
	2019	2018	**2019**	2018
Head office	**46**	49	**47**	48
Plant	**1,053**	1,139	**1,148**	1,154
Total number of employees	**1,099**	1,188	**1,195**	1,202

43 SUBSEQUENT EVENTS

In respect of current year, the board of directors proposed to pay cash dividend @ Rs. 4/- (2018: Rs. 2) per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

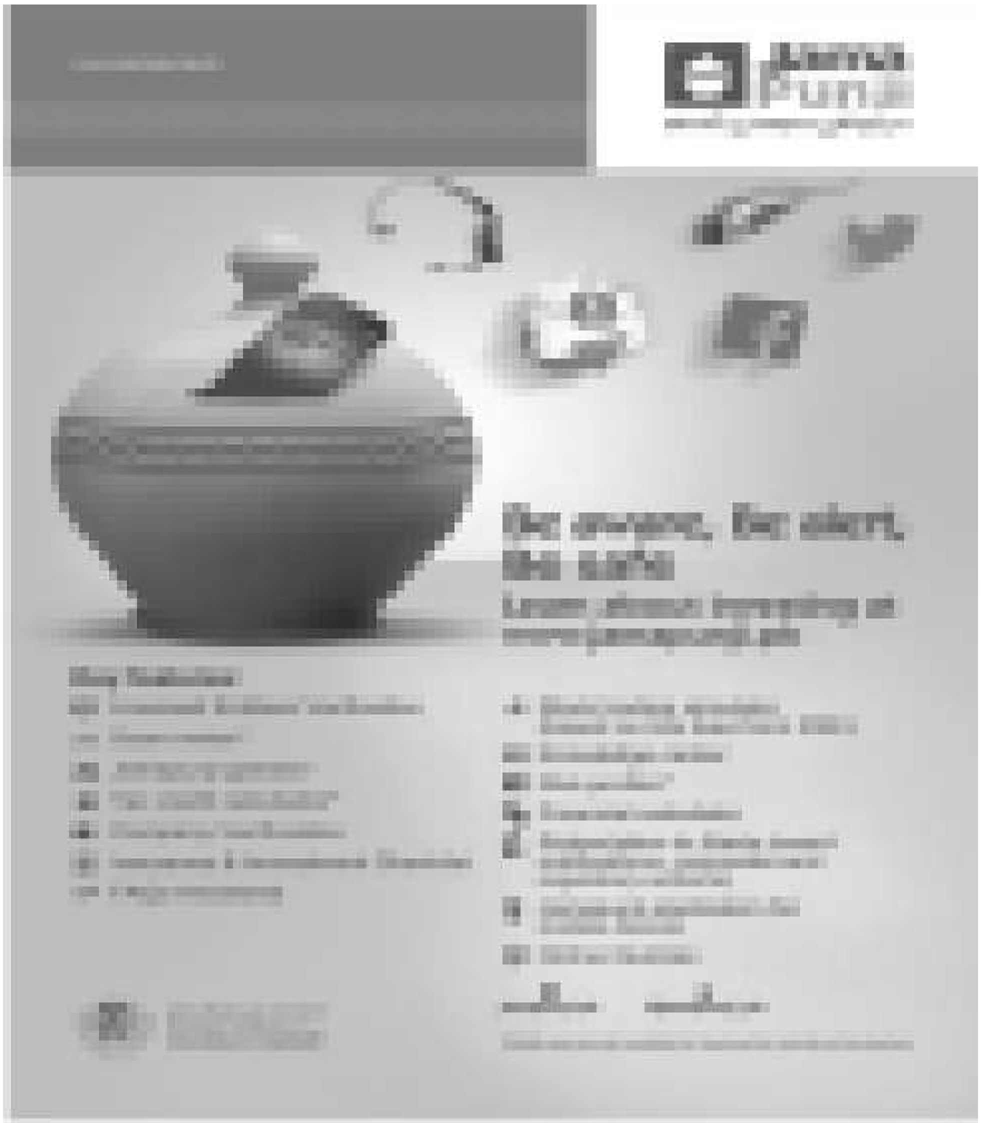
44 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 26, 2019.

45 GENERAL

The figures have been rounded off to the nearest Rupee.

Lahore: September 26, 2019	**Tariq Zafar Bajwa** Director	**Muhammad Tariq Sheikh** Chief Financial Officer	**Shahzada Ellahi Shaikh** Chairman



FORM OF PROXY

The Secretary,
PROSPERITY WEAVING MILLS LTD.
Nagina House
91-B-1, M.M. Alam Road,
Gulberg-III,
Lahore-54660.

I/We ______________________________ of ________________ being member(s) of **PROSPERITY WEAVING MILLS LTD.,** and holder of ________________ Ordinary Shares as per Share Register Folio No. __________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No. ____________________) hereby appoint ______________________________ of ________________ who is member of the Company as per Register Folio No. __________________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No. ________________________) or failing him/her ______________________________ of ________________ who is member of the Company as per Register Folio No. __________________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No.______________) as my/our proxy to vote for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on October 25, 2019 and at any adjournment thereof.

affix
Rs. 5/=
Revenue
Stamp

(Signature should agree with the
Specimen signature registered
with the Company)

Signed at ________________ this the ____________ day of ________________ 2019.

NOTES:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.

2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) with the proxy form.

3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original Computerized Identity Card with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number for identification purpose.

4. In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

پراکسی فارم (مختارنامہ)

سیکرٹری

پراسپیرٹی ویونگ ملز لمیٹڈ

نگینہ ہاؤس، B-91، ایم ایم عالم روڈ

گلبرگ III، لاہور 54660

میں/ہم ____________________

ساکن ____________________

بحیثیت رکن پراسپیرٹی ویونگ ملز لمیٹڈ، اور حامل ____________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت دار) آئی ڈی نمبر ____________)

بذریعہ ہذا

محترم/محترمہ ____________ ساکن ____________

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت دار) آئی ڈی نمبر ____________)

یا کسی غیر موجودگی میں محترم/محترمہ ____________ ساکن ____________

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت دار) آئی ڈی نمبر ____________) کو

مورخہ 25 اکتوبر 2019ء کو منعقد ہونے والے کمپنی کے 28ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

دستخط .... آج بروز .... تاریخ 2019ء

پانچ روپے کا رسیدی ٹکٹ
چسپاں کریں

دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخطوں کے
مطابق ہونے چاہئیں

نوٹ:

1۔ اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور پر بھیج دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہیے۔

2۔ سی ڈی سی کے ذریعے حصص یافتگان پراکسی مقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔

3۔ سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہیں سے التماس ہے کہ شناخت کے مقصد کے لئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ ہمراہ اپنے رجسٹرار سے اس کی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیسپنٹ آئی ڈی نمبر ہمراہ لائیں۔

4۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختارنامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختارنامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔