Reliance Weaving
Mills Limited
A Fatima Group Company

The Art of TEXTILE

20
ANNUAL REPORT
20


25

CONTENTS

BUSINESS REVIEW

FINANCIAL STATEMENTS

OTHERS & LEGAL FORMS

KEY FIGURES
YEAR ENDED JUNE 30, 2020

Sales
17,275
2020
Rs. in million

16,605
2019

EBITDA
9.24%
2020
Percentage

11.31%
2019

Profit for the year
61.270
2020
Rs. in million

502.804
2019

EPS
1.99
2020
Rupees

16.32
2019

Capital Expenditures
450.395
2020
Rs. in million

858.036
2019

Current Ratio
1.03
2020
Times

0.90
2019

Break up value of share
125.83
2020
Rs.

126.27
2019

Total Assets
15,821
2020
Rs. in million

16,810
2019

GP RATIO
11.93%
2020
Percentage

10.73%
2019

ROCE
0.89%
2020
Percentage

8.43%
2019

COMPANY INFORMATION

Board of Directors

Executive Director

Mr. Faisal Ahmed (Chief Executive Officer)

Non-Executive Directors

Mr. Fawad Ahmed (Chairman)
Mr. Fahd Mukhtar
Mrs. Fatima Fazal
Mr. Muhammad Mukhtar Sheikh

Independent Directors

Mr. Shahid Aziz
Dr. M. Shaukat Malik

Committees of the Board

Audit Committee

Mr. Shahid Aziz	Committee Chairman
Mr. Fahd Mukhtar	Committee Member
Dr. M. Shaukat Malik	Committee Member

HR & Remuneration Committee

Dr. M. Shaukat Malik	Committee Chairman
Mr. Shahid Aziz	Committee Member
Mr. Fahd Mukhtar	Committee Member

Risk Management Committee

Mr. Faisal Ahmed	Committee Chairman
Mr. Shahid Aziz	Committee Member
Dr. M. Shaukat Malik	Committee Member

Executive Management Team

Chief Financial Officer

Mr. Waheed Ahmed

Company Secretary

Mr. Aftab Ahmed Qaiser

GM Marketing

Mr. Khawaja Sajid
Mr. Aqeel Saifi
Mr. Salim Ahmed

GM Weaving

Mr. Ikram Azeem

GM Spinning (Multan)

Mr. Muhammad Shoaib Alam

DGM Spinning (Rawat)

Mr. Salahudin Khattak

External Auditors

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

Shares Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e- Faisal,
Karachi-74400
info@cdc.pak.com & Kamran.Ahmad@fatima-group.com

Bankers / Financial Institutions

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

Business Offices

Registered Office

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

Head Office

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

Site Addresses

Unit # 1,2,4 & 5

Fazalpur Khanewal Road, Multan.
Tel. No. 061-6740020-3
Fax. No. 061-6740039

Unit # 3

Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi.
Tel. No. 051-4611579-81
Fax. No. 051-4611097

VISION

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

MISSION & VALUES

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

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

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

CORPORATE VALUES

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

Integrity

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

Innovation

We encourage creativity and recognize new ideas.

Teamwork

We work collectively towards a common goal.

Health, Safety, Environment & CSR

We care for our people and the communities around us.

Customer Focus

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

Excellence

We strive to excel in everything we do.

Valuing People

We value our people as our greatest resource.

NOTICE OF THE 30TH ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the shareholders of **Reliance Weaving Mills Limited** (the Company) will be held on Wednesday, October 28, 2020, at 03:30 pm at 2nd Floor, Trust Plaza, L.M.Q. Road, Multan, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on November 28, 2019;

2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2020;

3. To appoint Auditors for year ending June 30, 2021 and to fix their remuneration; and

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

SPECIAL BUSINESSES

1) To ratify and approve the transactions carried out by the Company with related parties as disclosed in the financial statements for the year ended June 30, 2020 and to pass the following Special Resolution(s), with or without modification(s):

"RESOLVED THAT the related party transactions carried out by the Company during the year, as disclosed in Note 45 of the financial statements for the year ended June 30, 2020, be and are hereby ratified, approved and confirmed."

2) To authorize the Board of Directors of the Company to approve related party transaction for the financial year ending June 30, 2021, and to pass the following Special Resolution(s), with or without modification(s):

"RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to approve the transactions to be conducted with related parties on case to case basis for the financial year ending June 30, 2021."

"FURTHER RESOLVED THAT these transactions approved by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval where required."

3) To adopt and confirm matters relating to Sponsor Support Agreement including amendments therein to pass the following Special Resolution(s), with or without modification(s):

"RESOLVED THAT the Company, be, is and remains authorized, to execute and deliver:

(a) the Second Amended and Restated Sponsor Support Agreement (as may be further amended and restated pursuant to the Third Amended and Restated Sponsor Support Agreement and through any other amendments/supplementals thereto which are mutually agreed between the parties thereto (the **"Sponsor Support Agreement"**),

(b) the Share Pledge Agreement, the Share Retention and Subordination Agreement and any amendments / supplementals thereto, as the case may be (collectively the **"Other Agreements"** and together with the Sponsor Support Agreement are collectively referred to as the **"Company's Agreements"**), and

any other documents or related agreements (including any subordinated loan agreements) which are required to be made in relation to the investments under the Company's Agreements, instruments, communications, letters, certificates, notices, acknowledgements or other documents (including CP Satisfaction Letters and any Undertakings) and to be made or delivered by the Company under and in connection with the Company's Agreements or in relation therewith or as deemed necessary or desirable, in relation thereto, by the Authorised Person (defined below) (collectively the **"Authorised Instruments"**).

"FURTHER RESOLVED that the Company as a Sponsor of FEL, authorised an investment of an amount of PKR 7,523 million (Pak Rupees Seven Billion Five Hundred and Twenty Three Million Only) (the "**Approved Amount**") through a special resolution passed in the shareholder's meeting on June 12, 2017."

"FURTHER RESOLVED that the Company be, is and remains authorized, as a Sponsor of FEL, to invest an amount of PKR 5,000 million (Pak Rupees Five Billion Only) from the Approved Amount pursuant to the terms of the Company's Agreements, by way of a subordinated loan in lump sum or in parts, at a mark-up chargeable at the rate the higher of (a) KIBOR + 2.50%; or (b) a rate not less than the borrowing cost of the Company, in such case and manner as provided in the Company's Agreements and Authorised Instruments."

"FURTHER RESOLVED that the Company, as a shareholder of FEL, be, is and remains authorized to pledge in favour of the security trustee, for the benefit of and on behalf of FEL's lenders, 100% of all shares of FEL that are issued from time to time in the name of the Company (less such portion of preference shares of FEL issued in the name of the Company which are part of five percent (5%) of the aggregate preference shares of FEL issued in the name of FEL's shareholders) in accordance with terms and conditions of the Company's Agreements."

"FURTHER RESOLVED that the Chief Executive Officer (the **"Authorized Person"**) be, is and remains authorized to: (i) sign, execute and deliver any and all of the Authorised Instruments (including the Company's Agreements) in such manner as may be required by FEL's lenders and to approve, sign, execute and deliver any amendments, modifications and variations thereto and all such communications, certificates, notices, acknowledgements or other documents required in relation thereto (including any CP Satisfaction Letters and any Undertakings), in the form which any of the aforesaid Authorized Person may approve; and (ii) do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions."

"FURTHER RESOLVED that in the above resolutions, except where the context requires otherwise a reference to an Authorised Instrument shall be a reference to such instrument: (i) together with its annexes, exhibits, schedules thereto, and (ii) as amended, supplemented, re-stated, or novated from time to time."

"FURTHER RESOLVED that the acts of the Authorised Person in negotiation, execution and delivery of any of the Authorised Instruments (including the Company's Agreements) be and are hereby adopted, ratified, confirmed and approved and shall be construed as acts and deeds undertaken and done by the Company and the Company shall accordingly be bound by the same."

"FURTHER RESOLVED that each of the aforesaid resolutions shall remain valid and in full force and effect until the Company's obligations are discharged under each of the Authorised Instruments (including the Company's Agreements) or until it is revoked or amended by another resolution."

4) To consider and if deemed fit, to pass the following special resolution under Section 199 of the Companies Act 2017, with or without modification, addition(s) or deletion(s);-

"RESOLVED THAT consent of the shareholders of the "Company be and is hereby accorded under Section 199 of the Act for investment in associated companies as per following detail in the form of working capital loan from time to time for a period of one year starting from the date of approval by the shareholders provided that the return on any outstanding amount of loan shall be KIBOR plus 2.50% (which shall not be less than the average borrowing cost of the Company) and as per other terms and conditions of the agreement to be executed in writing and as disclosed to the members:

Sr. No.	Name of Associated Company	Amount of Loan
1	Fatima Energy Limited. (FEL)	PKR 100 million
2	Fatima Sugar Mills Limited. (FSML)	PKR 400 million
3	Reliance Commodities (Pvt.) Limited (RCL)	PKR 200 million
4	Fatima Transmission Com-pany Limited (FTCL)	PKR 300 million
5	Fazal Cloth Mills Limited (FCML)	PKR 200 million
6	Fatima Cement Limited (FCL)	PKR 100 million
7	Fatima Holding Limited (FHL)	PKR 200 million

"FURTHER RESOLVED that any Director/Chief Executive Officer and/or Chief Financial Officer and/ or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment as and when required by above companies and to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things including filing of documents as may be necessary or incidental or expedient as may be necessary or expedient for the purpose of implementing the aforesaid resolution."

Statement under Section 134(3) of the Companies Act, 2017 concerning special business is annexed to the notice of meeting circulated to the shareholders of the Company.

By order of the Board

Aftab Ahmed Qaiser
Company Secretary

Place: Multan
Dated: October 06, 2020

NOTES:

1. The Share Transfer Books will remain closed from October 22, 2020 to October 28, 2020 (both days inclusive). Transfers received in order at the office of our Share Registrar by the close of the business on October 21, 2020 will be treated in time for the aforesaid purpose.

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

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

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

4. **Venue of Annual General Meeting and Participation of Shareholders through Electronic means:**

   In view of the prevailing situation due to pandemic COVID-19 and in line with the direction issued to listed Companies by Securities and Exchange Commission of Pakistan, vide its circular No.5 of 2020 dated 17 March 2020, the Company has decided to hold its AGM through electronic means. The arrangements for the 30th AGM will be as under:

   a) AGM will be held through Zoom application – a video link facility.

   b) Shareholders interested in attending the AGM through Zoom will be requested to get themselves registered with the Company Secretary office at least two working days before the AGM at aftab.qaiser@fatima-group.com by providing the following details:

Name of Shareholder	CNIC No.	Folio/CDS No.	Cell No.	Email Address	Principal/Joint Shareholder

   Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders. The video link shall be sent to the members on to their email address.

   c) Shareholders may send their comments and suggestions relating to the agenda items of the AGM to the Company Secretary office at least two working days before the AGM, at given email address, WhatsApp or SMS on 0301-8460217. Shareholders are required to mention their full name, CNIC No and Folio No. for this purpose or can be emailed aftab.qaiser@fatima-group.com.

   d) Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

5. **Consent for Video Conference Facility:**

   Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at least seven (7) days prior to the date of the meeting as per the following format:

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

Signature of Member

6. **E-Voting:**

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

7. **Dissemination of Annual Audited Accounts and Notice of Annual General Meeting:**

   The Company shall place the financial statements and reports on the Company's website at least twenty-one (21) days prior to the date of the Annual General Meeting. Further, this is to inform that in accordance with SRO 470(I)/2016 dated May 31, 2016, through which Commission has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses. Accordingly, Annual Report of the Company for the year ended June 30, 2020 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Report, the same shall be provided free of cost within seven (7) days of receipt of such request. Further, in terms of SRO No. 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email Id to provide you the same.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT 2017 (THE "ACT")

The statement sets out the material facts under Section 134(3) of the Companies Act, 2017 concerning the special business to be transacted at the Annual General Meeting of Reliance Weaving Mills Limited to be held on Wednesday, October 28, 2020.

1) **Special Business Relating Approval of Related Party Transactions**

   The transactions carried out with the associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to the provisions of applicable laws. However, the majority of Directors of the Company were related due to their common directorship on account of holding of shares in the associated companies with which such transactions were held. The Board has recommended the same for placement before the shareholders of the Company in the general meeting for ratification/approval pursuant to the provisions of the Companies Act, 2017 (the "Act"). These transactions are given in Note 45 of the financial statements for the year ended June 30, 2020

   All the related party transactions for the year ended June 30, 2020 were executed at Arm's Length basis in the normal course of business and there were no departures from the guidelines in the Code of Corporate Governance for such transactions. Pursuant to above, these transactions have to be approved/ratified by the shareholders in the General Meeting. The Directors and their relatives do not have any direct or indirect interest in the aforesaid except to the extent of their shareholding/common directorship with related parties.

2) **Special Business Relating Related Party Transactions for year ending June 30, 2021**

   The Company shall be conducting transactions with its related parties during the year ending June 30, 2021 on an arm's length basis as per the approved policy with respect to "transactions with the related parties" in the normal course of business. There could be cases where majority of the Directors hold common directorship with these associated companies. In order to promote transparent business practices, it is recommended that the Board of Directors of the Company be authorized to approve transactions with related parties from time-to-time on case to case basis for the year ending June 30, 2021, which transactions shall be deemed to be approved by the shareholders. The nature and scope of related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification. The directors are interested in the resolution to the extent of their shareholding in the companies.

3) Special Business Relating to Sponsors Support Agreement and issue of Preference Shares

Background:

Reliance Weaving Mills Limited (“**RWML**” or the “**Company**”) along with Fazal Cloth Mills Ltd (“FCML”), Fatima Holding Limited and Fazal Holdings (Private) Limited, all together associated companies (collectively the “**Sponsors**” or “**Sponsors Group**”), have set up a 120 MW co-generation power project (the “**Project**”). For this purpose; Fatima Energy Limited (“**FEL**” or the “**Investee Company**”), being a special purpose Company, was established to generate and supply of Electricity on fuel of bagasse and imported coal. The Project was established to play a considerable role in eliminating the energy shortfall in the Country and reduce dependency on Pakistan WAPDA. Accordingly, for setup of the Project; the Sponsors of the Project earlier entered into Sponsor Support Agreement (“SSA”) with FEL and its lenders including Habib Bank Limited, Bank Al-falah Limited and other financial institutions (“**FEL’s Lenders**”). Under the **SSA**, the Company is required to fulfill its guarantee/commitment/SBLC/ undertaking to FEL’s Lenders subject to occurrence of default by FEL in repayment of its obligations/ liabilities towards FEL’s Lenders. The FEL was associated company of the Company; however, association of the Company under Section 199 of the Act was disassociated with effect from June 01, 2020. The management of the Company is of the view that the Company is of the view shareholders’ approval under Section 199 of the Act is not required but sill the Company is seeking shareholders’ approval to avoid any regulatory complications.

Fatima Energy Limited (“FEL” or the “Investee Company”)

Fatima Energy Limited was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the Company is to build, own, operate and maintain a co-generation power plant of 118.8 MW (the **Project**). The Company has set up power plant under Cogen Policy 2008 which was introduced by Government of Pakistan to encourage maximum utilization of local energy resource i.e. Bagasse. The Project is located at Sanawan, Tehsil Kot Addu, District Muzaffargarh in the province of Punjab. FEL generation license allows to sell power to Bulk Power Consumers as well as to the CPPA (G).

The Company has currently applied to various DISCOs for Energy Wheeling Agreement (the **EWA**) which is in Process, however, the EWA with MEPCO is already in place and FEL has supplied power to various export sector companies under this agreement during the last years. Since the wheeling concept is being practiced first time by many DISCOs therefore, approval of energy wheeling agreement is taking time thereby delaying substantially optimum generation and output. As soon as the EWAs are executed with DISCOs, FEL shall start operations immediately at full capacity.

The shareholding of FEL is given as under:

Sr. No.	Name of Share-holders	No. of Shares (Mn)	% age Holding
1	Fatima Holding Ltd.	309	54.14%
2	Fazal Holdings (Pvt.) Ltd.	48	8.42%
3	Fazal Cloth Mills Ltd.	108	19.00%
4	Reliance Weaving Mills Ltd.	80	14.04%
5	Meezan Bank Ltd.	25	4.40%
	Total	570	100.00%

The status of loan of FEL and its split is given as under:

Sr. No.	Name of Associated company	PKR (Mn)
1	Fatima Sugar Mills Ltd	598.075
2	Fazal Cloth Mills Ltd	2,497.909
3	Fazal Holdings (Pvt.) Ltd	367.149
4	Fatima Holding Ltd	4,795.330
5	Reliance Waving Mills Ltd	401.861
	Total	8,660.324

Approval of Investments in FEL by the shareholders of the Company (RWML)

The Company was granted approval by its shareholders to make long term investment in the FEL to invest up to PKR 7,523 million including all other amounts demanded by the FEL's lenders from time to time for fulfillment of its guarantee/commitments/standby letter of credit (SBLC)/undertakings to the FEL's lenders under the terms of the SSA and use such amount for:

(a) Investment in the form of equity of not more than PKR 2,200 million, out of which the Company has made equity investment in the ordinary share capital of the Company of PKR 800 million and PKR 400 million (total PKR 1,200 million) as of the date of this notice of general meeting. Any amount investment not yet converted into ordinary shares of the Company is to be treated as a loan and is subject to charging of mark-up at the rate of KIBOR plus 2.5%. Provided if the borrowing cost of the Company increases beyond KIBOR plus 2.5%, the mark-up chargeable to FEL shall correspondingly be proportionately be increased. The Company has also given an advance (convertible to equity) of PKR 400 million to the FEL above PKR 800 million invested as equity, which is subject to the same mark-up rates as given above.

The limit available over and above the investment of PKR 1,200 million (as given above) can also be utilized in providing further advance or provide loans, guarantees, indemnities, bank guarantees SBLCs, financial engagement or subject to occurrence of default by FEL in repayment of its obligations/liabilities towards FEL's lenders to full fill guarantee/commitments/SBLCs/ Undertaking to FEL's lenders in terms of SSA. All such amounts will be treated as loans and on entire outstanding mark-up will be charged with KIBOR plus 2.5% until FEL pays back the amount to the Company. Provided if the borrowing cost of the Company increases beyond KIBOR plus 2.5%, the mark-up chargeable to FEL shall correspondingly be proportionately be increased.

(b) For investment of up to PKR 5,323 million in the form of advance, loans, guarantees, indemnities, bank guarantees, SBLCs, financial engagement or subject to occurrence of default by FEL in repayment of its obligations/liabilities towards FEL's lenders to full-fill guarantee/commitments/ SBLCs/Undertaking to FEL's lenders in terms of SSA. All such amounts will be treated as loans and on entire outstanding mark-up will be charged with KIBOR plus 2.5% until FEL pays back the amount to the Company. Provided if the borrowing cost of the Company increases beyond KIBOR plus 2.5%, the mark-up chargeable to FEL shall correspondingly be proportionately be increased.

Following schedule reflects the status of investments in FEL by the Company:

Investment type	Approved Limit	Invested Amount	Revised Limit	Available Limit
	PKR million			
Equity (in share capital)	2,200	800	2,200	1,000
Advance (convertible to equity)		400		
Sub-total	**2,200**	**1,200**	**2,200**	**1,000**
Advance, loans, guarantees, indemnities, bank guarantees SBLCs, financial engagement or subject to occurrence of default etc.	5,323	–	5,000	5,000
	5,323	–	5,000	5,000
Total	**7,523**	**1,200**	**7,200**	**6,000***

* The Company has authority to use this amount for any of the purposes mentioned above, including in case of occurrence of default by FEL in repayment of its obligations/liabilities towards FEL's Lenders, the Company will pay to the FEL's Lenders maximum of 31.25% of the default amount (in lump sum or in parts) on behalf of FEL and treat all the default amount as FEL's loan and said amount also be considered as advance/loan subject to applicable markup rates.

Amendments in the Financing Agreements signed with the Lenders by the FEL

Recently the lenders of FEL re-structured the loan obligation of FEL towards them. As a result of which the Company being sponsor is required to execute and deliver the necessary statutory documents including Second Amended and Restated Sponsor Support Agreement, Share Retention and Subordination Agreement, the Share Pledge Agreement and any other documents required by the FEL's lenders from all sponsors including the company.

(a) the Second Amended and Restated Sponsor Support Agreement (as may be further amended and restated pursuant to the Third Amended and Restated Sponsor Support Agreement and through any other amendments/supplementals thereto which are mutually agreed between the parties thereto (the "**Sponsor Support Agreement**"); and

(b) the Share Pledge Agreement, the Share Retention and Subordination Agreement and any amendments / supplementals thereto, as the case may be (collectively the "**Other Agreement**s" and together with the Sponsor Support Agreement are collectively referred to as the "**FEL's Agreements**"

Therefore in light of above arrangements, the requirement by the Company to make loan investment is reduced to Rs 5,000 million (Pak Rupees five thousand million Only) pursuant to the terms of the Company's said agreements, by way of a subordinated loan in lump sum or in parts, at a mark-up chargeable at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company. As per restructuring of loan arrangement; the period of loan has been extended by twenty years and the FEL is required to repay Rupees 900 million to the lenders every year. The sponsors of the FEL including the Company have undertaken that in case the FEL is unable to repay the loan to the lenders from its cash flows in any year; then the Company would be required to meet the FEL's obligations in accordance with the Company's stake in the FEL, i.e. 31.25% till the end of loan; In case the Company is able to generate sufficient cash flows to repay loan in a given year; then the Company would not be required to make payment to the FEL; therefore, no investment would be made in that year. Further the Company, as a shareholder of FEL is authorized to pledge in favor of the security trustee, 100% of all shares of FEL that are issued from time to time in the name of the Company in accordance with terms and conditions of the Company's Agreements.

Interest of Directors

The Directors are not interested in the aforesaid special businesses except to the extent of their directorships / shareholding in the companies / other companies where they are directors / shareholders. The Board of Directors of the Company is confident that the above amendments in the resolutions will not be detrimental to the interest of the Company and its members as a whole. The Board of Directors of the Company is confident that these proposed alterations are in line with the applicable provisions of the law and regulatory framework.

Special Item No.4 regarding investment in associated companies

As per requirements of the regulations; the Company is required to seek approval from shareholders every year for providing working capital loan to the associated companies for meeting expense of staff salary, power generation, maintenance and other working capital requirements.

Considering the average borrowing cost of the Company and the return offered by the banks on term deposits, the Directors of the Company have recommended to invest surplus funds from the retained earnings of the Company to the associated companies as per their request at the interest rate of KIBOR plus 2.50% which shall not be less than the average borrowing cost of the Company.

The repayment of the principle amount of loan shall be made as per terms and conditions of the agreements along with payment of interest. The management expects that the transactions are to be beneficial for the Company as this will enhance the return on funds available with the Company.

The Directors of the Company undertake that the proposed investment is being recommended after due diligence and financial health of the borrowing companies are such that these companies have the ability to repay the loan as per agreement. The duly signed recommendation of the due diligence report and directors' undertaking/certificate shall be made available to the members for inspection at the meeting.

The Company holds following shares in associated companies:

Name of Company	No. of Shares
Fatima Energy Limited	80,016,370
Fatima Transmission Company Limited	7,187,500
Fatima Fertilizer Company Limited	2,625,167

Information under Regulation 3 of the Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

	Fatima Energy Limited	Fatima Sugar Mills Limited	Reliance Commodities (Pvt.) Limited	Fatima Transmission Company Limited	Fazal Cloth Mills Limited	Fatima Cement Limited	Fatima Holding Limited
Registration No. and date	0047770, 22.06.04	0076592, 15.07.11	0036107, 28.01.96	0091244, 26.12.14	0002266 14.05.66	0100872 26.07.2016	0018591 11.01.2014
Registered Office Address	E-110, Khayaban-e-Jinnah, Lahore	E-110, Khayaban-e-Jinnah, Lahore	2nd Floor Trust Plaza LMQ Road, Multan	E-110, Khayaban-e-Jinnah, Lahore	697, Abid Majeed Road, Survey No. 248/7, Lahore Cantt.	E-110, Khayaban-e-Jinnah, Lahore Cantt.	E-110, Khayaban-e-Jinnah, Lahore Cantt.
Authorized share capital	PKR 17,000 (M)	PKR 2,200(M)	PKR100 (M)	PKR 250(M)	PKR 700(M)	PKR 1(M)	PKR 1,180(M)
Paid up capital	PKR 5700 (M)	PKR 2,102(M)	PKR 80.05(M)	PKR 23(M)	PKR 300(M)	PKR 0.030(M)	PKR 1,172(M)

Earnings per share of the associated companies are as under:

PKR							
Year	FEL	FSML	RCL	FTCL	FCML	FCL	FHL
2018	(0.31)	0.26	9.68	(2.0764)	40.45	N/A	8.91
2019	(0.69)	1.76	26.05	(2.8292)	50.52	N/A	4.30
2020	(0.81)	1.57	36.22	(0.0045)	N/A	N/A	5.38

Breakup value per share of the associated companies are as under:

PKR							
Year	FEL	FSML	RCL	FTCL	FCML	FCL	FHL
2018	9.39	15.34	241.26	7.5531	667.18	N/A	169.61
2019	8.70	17.10	267.31	4.7239	697.5	N/A	104.34
2020	7.89	18.67	303.53	4.7193	N/A	N/A	109.74

Latest financial position, including main items of the financial position and profit and loss account of the associated companies or associated undertakings;

PKR in million							
Particulars	FSML	RCL	FEL	FTCL	FCML	FCL	FHL
Paid up capital	2,101.71	80.05	5,700.00	230.00	300.00	0.030	1,171.55
Un-appropriated profit/loss	1,823.41	1,926.85	(1,202.20)	(121.46)	10,212.705	(0.126)	2,281.79
Current liabilities	6,010.69	5,952.68	12,442.99	440.89	15,798.541	18.078	6,029.97
Current assets	6,723.22	7,676.64	1,238.72	1.326	19,622.012	14.256	11,611.74
Sales	5,814.75	4,007.89	672.041	N/A	36,341.097	N/A	517.06
Gross Profit/ Loss	1,188.40	425.03	(137.675)	(0.104)	4,342.479	N/A	513.80
Net Profit/loss	330.94	289.95	(460.645)	(0.104)	1,515.503	0.079	630.301

In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, further information as per regulations are as under:

		Fatima Transmission Company Limited	Fatima Energy Limited
I	Description of the project and its history since conceptualization	Fatima Transmission Company Limited was incorporated in Pakistan on December 26, 2014 as a public company under the Companies Ordinance, 1984. The principal activity of the Company is to lay down power transmission line. The National Power Electric Regulatory Authority (Nepra) has granted permission to Fatima Transmission Company Limited (FTCL) for constructing and owning transmission facilities in 2015. Under the license, FTCL would setup a 37 km long transmission line for evacuating 120MW electricity from generation facilities, to supply to a number of Bulk Power Consumers.	Fatima Energy Limited was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Ordinance, 1984. The principal activity of the Company is to build, own, operate and maintain a co-generation power plant of 118.8 MW (the Project). The Project is located at Sanawan, Tehsil Kot Addu, and District Muzaffargarh in the province of Punjab. The FEL generation license allows to sell power to Bulk Power Consumers as well as to the CPPA (G).
II	Starting date and expected date of completion of work	The project was taken over from EPC contractor in May 2017 and duly tested through dispatch during the period from August 2019 to December 2019 under wheeling arrangement. COD is yet to be declared.	The project was taken over from EPC contractor in May 2017 and duly tested through dispatch during the period from August 2019 to December 2019 under wheeling arrangement. COD is yet to be declared.
III	Time by which such project shall become commercially operational	The commercial operations of the Company are directly linked with the operations of the FEL. As soon as the commercial operations of the FEL commences; the commercial operations of the FTCL shall also be commenced simultaneously.	FEL has currently applied to various DISCOs for Energy Wheeling Agreement (the EWA) which is in Process, however, the EWA with MEPCO is already in place and FEL has supplied power to various export sector companies under this agreement during the last years. Since the wheeling concept is being practiced first time by many DISCOs therefore, approval of energy wheeling agreement is taking time thereby delaying substantially optimum generation and output. As soon as the EWAs are executed with DISCOs, FEL shall start operations immediately at full capacity.
IV	Expected time by which the project shall start paying return on investment	In addition to above, the management of FTCL expects that it would be able to achieve its optimum capacity in next couple of years, which will enable sufficient cash flows to repay its obligations as well as payout to its shareholders.	In addition to above, the management of FEL expects that it would be able to achieve its optimum capacity in next couple of years, which will enable sufficient cash flows to repay its obligations as well as payout to its shareholders.
V	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	Cash	Cash

General disclosures:

Requirements	Fatima Energy Limited	Fatima Sugar Mills Limited	Reliance Commodities (Pvt.) Limited	Fatima Transmission Company Limited	Fazal Cloth Mills Limited	Fatima Cement Limited	Fatima Holding Limited
	PKR in million						
	100	400	200	300	200	100	200
In case any loan has already been granted to the said associated companies or associated undertakings, the complete details thereof.	Given in below.						
Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans;	**Purpose:** To earn income on the loans/advances to be provided to the associated companies to meet working capital needs of the associated companies. **Benefits:** The Company will receive markup above the borrowing cost of the Company which will benefit the Company's cash flow by earning profit on its surplus funds. **Period:** For a period of one year from the date of Annual General Meeting.						
Sources of funds to be utilized for investment;	Loan/advance will be given out of own funds of the Company.						
Where loans or advances are being granted using borrowed funds:							
(I) Just Notification for granting loan or advance out of borrowed funds	Not Applicable						
(II) Detail of guarantees/assets pledged for obtaining such funds, if any;	Not Applicable						
(III) Cost benefit analysis	Not Applicable						
Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.							
- Nature	Loan/advance						
- Purpose	To earn mark-up on loan being provided to FSML, FTCL, FEL and RCL, FCML and FCCL this will augment the Company's cash flow.						
- Period	Maximum period of one year.						
- Rate of markup	KIBOR+2.5% but above borrowing cost of the Company.						
- Repayment	Investee Company shall pay Loan and mark-up to investing company on one month notice or at maturity.						
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The directors of the Company are sponsors and directors of the Investee Companies. None of the Directors or their relatives or associates is interested in above resolution in any way except as members of the Company.						

In case of any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	There is no impairment and/or write off against any facility given to any associated company.
Any important details necessary for the members to understand the transaction.	Not Applicable
Category-wise amount of investment;	Short term loan for working capital requirements for a period of one year as detailed in preamble.
Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period;	KIBOR+1.25%
Rate of interest, markup, profit, fees or commission to be charged;	KIBOR+2.5%
Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;	Not Applicable
If loans carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable:	Not Applicable
(a) Conversion formula	Not Applicable
(b) Circumstances in which conversion may take place	Not Applicable
(c) Time when conversion may be exercisable;	Not Applicable
Repayment schedule and terms and conditions of loans or advances to be given to Investee companies.	Loan will be paid back by each investee company with-in one-month Notice or at maturity.

Status of Investment under Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

	Fatima Transmission Company Limited	Fatima Sugar Mills Limited	Reliance Commodities (Private) Limited	Fatima Energy Limited
Total investment approved	PKR 300 million	PKR 300 million	PKR 100 million	PKR 7,523 million
Amount of investment made to date	PKR 24.812 million	Nil	PKR 18.625 million	PKR 1,200 million
Reason for not having made complete investment so far	As per approved terms and conditions the investment will be made as per requirement of the investee company. Fresh approval is being taken as per Statute.	As per approved terms and conditions the investment will be made as per requirement of the investee company. Fresh approval is being taken as per Statute.	As per approved terms and conditions the investment will be made as per requirement of the investee company. Fresh approval is being taken as per Statute.	As per approval of the limit; the Company is authorised to make investment as and when required under Sponsors Support Agreement.
Material change in financial statements of associated company	As per latest available audited financial statements for the year ended June 30, 2020 the earnings / Loss per share is PKR (0.0045) and breakup value per share is PKR 4.72.	As per latest available audited financial statements for the year ended June 30, 2020 the earnings / Loss per share is PKR 1.57 and breakup value per share is PKR 18.67.	As per latest available audited financial statements for the year ended June 30, 2020 the earnings per share is PKR 36.22 and breakup value per share is PKR 303.53.	As per latest available audited financial statements for the year ended June 30, 2020 the earnings per share is PKR (0.81) and breakup value per share is PKR 7.89.

Inspection of Documents

The existing and proposed Memorandum of Association and Articles of Association of the Company and the Investee Company, annual and quarterly accounts of the Company, Companies Act, 2017, statement of material facts, financing agreements signed by FEL including any modification/amendments, application to Commission for obtaining approval of issue of preference shares by the FEL, financial projections of the Company and the Investee Company, register of investments, register of transactions with associate companies, register of directors, shareholding list of the company and the investee company, relevant rules and regulations for the issuance of preference shares and any other related information of the Company and the Investee Company as may be relevant shall be available for inspection from the date of the notice of the general meeting to the conclusion of the same.

COMPANY PROFILE

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

The spinning unit at Multan comprises of 42 ring frames consisting of 47,520 spindles with total annual production capacity of 24,494 tons based on average count Ne 14. We have state of the art and modern technology, TOYOTA RX-240 and RX-300 E Draft capable of making wide range of counts. These machines can attain high speed of 21,000 RPM.

Our ring machines are 2004, 2013 and 2014 model. Currently, we are producing yarn counts from 6/1 cdd to 21/1 cdd. The above unit produces Carded Yarn, Combed Yarn, Siro Yarn, Core Yarn, Dual Core Yarn, Slub Yarn, Dual Core+Slub Yarn and Core+Slub Yarns. We have installed compact system on our existing frames gaining the ability of compact yarn manufacturing .We have also installed BTS (bobbin transport system), which will cause the Automation in the system and reducing workers handling. We have also installed Auto-Doffer and Auto-cone.

The Weaving unit comprises of 396 looms of high speed latest air jet machines of Tsudakoma (Japan) & picanol (Belgium) with total grey cloth production of (80.55 Million Meters) (SGM's) is based on 61.35 picks per inch. We cater for home textiles and apparels from various varieties

of yarns blends such as Cotton/Polyester, Cotton/Viscose/ Linen, Fancy Yarns, Stretch Yarns from different natural fibers & synthetic blends. The unit is equipped with latest warping and sizing machine, air compressors, air conditioning / chiller system, boilers and self-gas engine power generation. The weaving facilities can produce plain (basket/mat weave, ribbed warp & wet), twill, satin, sateen weave, variation of basic weave such as creps, pile (cut/ unused) double cloth, gauze (leno), swivel, tappet, dobby, namely jacquard & triaxial.

The Rawat unit consist of 38 Toyoda Japan (RY-5) spinning frame with total annual production capacity of 138000 bags based on standard count of 20/1 cdd. The unit produces yarns namely Mélange, Marl, Slub, Injection Nappy and Fancy Draw Blend Yarns. We are producing almost all types of Fancy Yarns and Grey Fabrics and have state-of-the-art high speed machines with latest facilities coupled with highly skilled team of dedicated workers and engineers to meet the challenges of textile sector.

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

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

DIRECTORS' PROFILE

Mr. Fawad Ahmed Mukhtar

Chairman / Non-Executive Director

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

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

Mr. Faisal Ahmed

CEO / Executive Director

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

Mr. Fahd Mukhtar

Non-Executive Director

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

Mr. Muhammad Mukhtar Sheikh

Non-Executive Director

Mr. Muhammad Mukhtar Sheikh joined the Board of Directors on June 1, 2020 of Reliance Weaving Mills Limited, a company quoted on the PSX. He is the third generation family member of the Fatima Group a conglomerate engaged in Fertilizer, Textiles, Sugar, Cement, Energy and other businesses. The Fatima Group inducts young family member as Directors to adapt to changing trends & technology and bring new innovative perspective to the organization and in the boardroom as seen by fresh eyes. Currently, he is completing his higher education from the Babson College, School of Business, Wellesley Massachusetts, a premier institution with central focus on entrepreneurship education.

He is also serving on the Board of Fazal Cloth Mills Limited, a listed Company on the PSX.

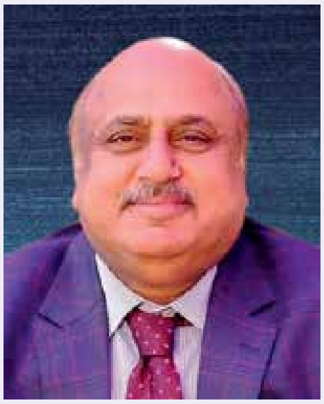
Dr. Muhammad Shaukat Malik

Independent Director

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

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

In addition, Dr. Malik is an author of more than 90 research papers published in National & International Journals / Newspapers. He has presented his research papers at Oxford, Cambridge, and Harvard. He has won Emerald literati best author Award for his publication in 2018.



Mr. Shahid Aziz

Independent Director

He is a graduate from University of Punjab major in Economics and Political Science. He attended different workshops and courses on the topic of Mutual Funds, Communication Skills including workshop on Corporate Governance from LUMS. He possesses vast experience of working in different public and private sector organizations since 1976. He was associated with NIT from 1980 to 2019 and worked as Zonal Head of North Zone. He possesses certificate of Directors' Training Program from IBA Karachi. He still represents NIT on the board of directors of 13 listed companies and a public sector company of Pakistan.

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Shahid Aziz
Committee Chairman

Mr. Fahd Mukhtar
Committee Member

Dr. M. Shaukat Malik
Committee Member

HR & REMUNERATION COMMITTEE

Dr. M. Shaukat Malik
Committee Chairman

Mr. Shahid Aziz
Committee Member

Mr. Fahd Mukhtar
Committee Member

RISK MANAGEMENT COMMITTEE

Mr. Faisal Ahmed
Committee Chairman

Mr. Shahid Aziz
Committee Member

Dr. M. Shaukat Malik
Committee Member

MANAGEMENT PROFILE

Mr. Waheed Ahmed

Chief Financial Officer

Mr. Waheed Ahmed is a qualified Chartered Accountant having more than 21 years' experience of handling the Operational, Accounting, Tax and Financial matters of Listed Companies. He is with Reliance Weaving Mills Limited since August 2008.

Mr. Aftab Ahmed Qaiser

Company Secretary

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

Khawaja Sajid

General Manager Marketing

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

Mr. Aqeel Saifi

General Manager Marketing

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

Mr. Salim Ahmed

General Manager Marketing

Salim Ahmed holds the master degrees in Business administration and M.A. Economics, he has been in the Textile yarn industry since last 22 years with well reputed textile mills in Pakistan, and he has vast experience of fancy yarns of knitting and weaving. He has been in Reliance weaving Mills Ltd since August 2010.

Mr. Ikram Azeem

General Manager (Weaving)

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

Mr. Muhammad Shoaib Alam

General Manager (Spinning)

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

Mr. Salahuddin Khattak

Deputy General Manager (Spinning)

Mr. Salahuddin Khattak holds B.Sc. Textile (Spinning) Degree from National Textile University, Faisalabad. He has total field experience of 13 years of working on different types of Mélange Yarn, Injection Yarn, Lycra Melange Yarn, Slub and Snow Effect Yarns. He is part of this organization since 2010.

CHAIRMAN'S REVIEW

Fawad Ahmed Mukhtar
Chairman

I am pleased to present the overall performance and effectiveness of the role played by the board in achieving the objectives of the company pursuant to Section 192(4) of the Companies Act, 2017.

As a Chairman, I am responsible for leading the board as a mentor, to manage, support and guide the corporate governance process for efficient running and control of business, as envisaged under the Biz-Plan of the company as well fostering the culture of openness and constructive debate during which all views are heard and decisions are taken in the best interest of the Company.

Your board is cognizant and compliant of Code of Corporate Governance 2019, Companies Act, 2017 and PSX-Rules with respect to the composition procedures and meeting of the Board of Directors and its Committees. The annual evaluation of the Board is carried out on the basis of a self-assessment questionnaire covering attributes/skills and professional experience to ensure that the board's overall performance is efficient as measured against benchmark expectations. The evaluation provides an opportunity to review the balance skills, experience and diversity.

The board is ably assisted by three Committees to support the decision making in their respective domains. I would like to place on record the exemplary performance of the Board and its committees whose members navigated with accountability, responsibility and entrusted to them by safeguarding the long term values in the best interest of our stakeholders.

We believe our strength lies in our people being the most precious asset of the company and continue to invest in our employees. We recognize the contributions made by our employees to the continuous success of the company. The board acknowledges the unwavering commitment of management and employees for their loyalty, dedication and hard work which enable the company to achieve its goals and objectives.

I wish to place on record the efforts of the staff and especially the workers in minimizing the effects of the disruption caused by COVID-19 and its related closures and lockdowns. Your company has swiftly recovered to optimum operating levels and hopes to show steady improvement in the remaining part of the year. I remain indebted to all our stakeholders for their continued support.

چیئرمین کا جائزہ

فواد احمد مختار

چیئرمین

مجھے کمپنی کے مقاصد میں کامیابی کیلئے بورڈ کے مؤثر کردار اور مجموعی کارکردگی جو مطابق کمپنیز ایکٹ 2017، سیکشن 192(4) ہے، پیش کرنے پر خوشی ہے۔

چیئرمین کی حیثیت سے میں بطور ناصح بورڈ کی سربراہی، کاروباری اُمور کی بہترین انداز میں انجام دہی ونگرانی کیلئے کارپوریٹ گورننس کے طریقہ کار کی دیکھ بھال، معاونت اور راہنمائی (جیسا کہ کمپنی کی کاروباری حکمت عملی کے تحت تصور کیا گیا)، حق گوئی اور اصلاحی مباحثہ کے کلچر کے فروغ (جس کے تحت تمام آراء دیکھی جاتی ہیں اور کمپنی کے بہترین مفاد میں فیصلہ سازی کی جاتی ہے) کا ذمہ دار ہوں۔

آپ کا بورڈ ساخت کے طریقہ کار اور بورڈ آف ڈائریکٹرز اور اُسکی کمیٹیوں کے اجلاس کے حوالے سے کارپوریٹ گورننس 2019 کمپنیز ایکٹ 2017 کے ضابطہ اخلاق اور پاکستان سٹاک ایکسچینج کے قوانین سے بخوبی آگاہ اور اُن پر عمل پیرا ہے۔ ایک خود تشخیصی سوالنامہ کی بنیاد پر بورڈ کی سالانہ جانچ کا عمل دہرایا جاتا ہے جس میں بورڈ کی مجموعی کارکردگی مطلوبہ توقعات کے مطابق ہونے کی یقین دہانی کیلئے اوصاف/مہارتوں اور پیشہ ورانہ تجربہ کے بارے میں پوچھا جاتا ہے۔ یہ تشخیصی عمل متوازن مہارتوں، تجربہ اور تنوع کا جائزہ لینے کا موقع فراہم کرتا ہے۔

بورڈ کو فیصلہ سازی میں اپنے متعلقہ شعبوں کے حساب سے تین کمیٹیوں کی معاونت حاصل ہوتی ہے۔ میں بورڈ اور اُسکی کمیٹیوں کی مثالی کارکردگی ریکارڈ پر لانا چاہتا ہوں جن کے ممبران کو جوابدہی اور ذمہ داری کی رہنمائی دی جاتی ہے اور وہ ہمارے شراکت داروں کے بہترین مفاد میں ان دیرپا اقدار کی حفاظت کیلئے عمل پیرا ہیں۔

ہمارا یہ ماننا ہے کہ ہمارے لوگ کمپنی کا سب سے قیمتی اثاثہ ہونے کے ناطے ہماری طاقت ہیں اور ہم اپنے ملازمین پر سرمایہ کاری جاری رکھیں گے۔ کمپنی کی کامیابی میں ہم اپنے ملازمین کے کردار کو سراہتے ہیں۔ بورڈ کمپنی کے مقاصد اور اہداف کے حصول میں انتظامیہ کی ثابت قدمی اور ملازمین کی وفاداری، لگن اور سخت محنت کو خراج تحسین پیش کرتا ہے۔

میں کرونا وائرس اور کاروباری بندش ولاک ڈاؤن کے اثرات کو کم سے کم کرنے میں سٹاف اور بالخصوص ورکرز کی کاوشوں کا معترف ہوں۔ آپ کی کمپنی تیزی سے بلند سطح تک بحالی کا عمل مکمل کر چکی ہے اور بقیہ سال کے دوران متواتر بہتری کیلئے پُر اُمید ہے۔ میں مسلسل تعاون پر تمام شراکت داروں کا مشکور ہوں۔

CREDIT RATING RELIANCE WEAVING MILLS LIMITED

PACRA
PAKISTAN CREDIT RATING AGENCY

LONG TERM

A-

SHORT TERM

A2

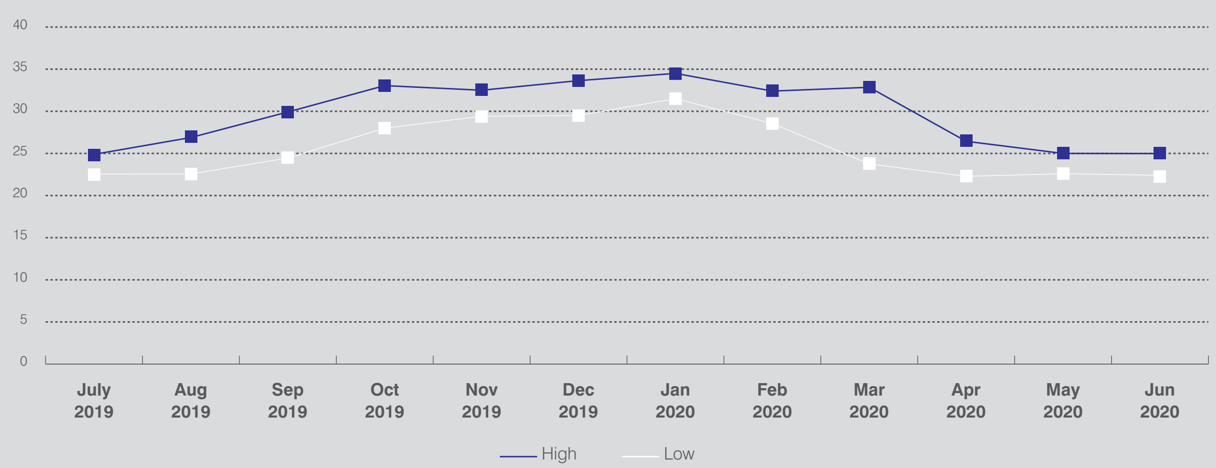
CERTIFICATIONS

MARKET PRICE DATA

The following table show month end wise share price of the company that prevailed during the financial year 2019-20 and 2018-19 in PSX:

	2019-20		2018-19	
Month	High	Low	High	Low
July	24.89	22.55	32.14	28
August	26.89	22.57	33.61	29.3
September	29.92	24.45	35.95	32
October	33.05	28	36.5	31.02
November	32.5	29.41	37.48	33.15
December	33.64	29.5	34.7	29.23
January	34.5	31.5	31.48	28.55
February	32.4	28.55	30.94	28.47
March	32.85	23.75	29.85	26.86
April	26.44	22.28	30	27.79
May	25	22.6	29	25
June	24.98	22.4	25.99	23.61

SHARE PRICE ANALYSIS



DIRECTORS' REPORT TO THE SHAREHOLDERS

FINANCIAL RESULTS

Gross profit has increased to RS. 2,060 M as compared to Rs. 1,782 M for the corresponding period, thus showing an increase of 15% .The Company ended up with after tax net profit of Rs 61 M as compared to Rs 502 M.

The main reasons of reduction in profitability of the company are as follows:

- The exchange loss of Rs 314 M on loans exposed to US dollar financing due to devaluation of Rupee.
- The Company incurred a loss of Rs. 60 million due to application of NRV on closing stock.
- Financial cost increased by Rs 175 m which is 17% higher than last year.

Major financial Indicators are as under:

Description	2020	2019
	Rupees in million	
Sales	17,275	16,605
Cost of Sales	15,214	14,822
Gross Profit	2,060	1,782
Finance Cost	1,166	991
Profit After Tax	61	502

FUTURE OUTLOOK

As a consequence of slow down, like other sectors, the overall textile consumption in world shrinked as reflected from the declining textiles and clothing imports in USA and other leading importing markets like EU and Japan also. Though, it is difficult to estimate likely drop in T&C Trade volume but recent data of USA T&C import trends shows decline of more than 18% of T&C imports from world (during Jan-April 2020). Import from China declined by 41%. Decline in US T&C imports will lead to overall disruption in Global supply chain. As world textile industry is highly globalized and linked through supply chains, the exporting countries like China, India, Bangladesh, Vietnam etc. are likely to face serious shortfall of demand and would intensively compete with each other for market share. In order to ensure adequate capacity utilization, the textile firms in exporting economies will compromise on margins and stress on financials will be further increased. Amidst this situation, special discounts are being offered by retailers to clear inventories, which show the jittery among retailers. This situation will continue till a substantial reduction in capacity happens. Alternatively, situation may improve in near future pulling the demand for textile products. In the present situation, both events are likely to happen in sequence.

World cotton production is projected to be lower by about 3.4% at 25.85 million tons in the year 2020-21 against the 26.77 million tons produced in the year 2019- 20. The lower production is projected mainly because of the lower area put under cotton sowing in the year 2020-21 as compared to the previous year. Amid the trade uncertainties and Outbreak of the COVID-19, World cotton consumption is projected to be at 24.91 million tons for the year 2020-21 against 22.35 million tons in the year 2019-20. However, it is quite lower as compared to normal cotton consumption which was 26.20 million tons in 2018-19.

Currently interest rates are at a declining trend; which will have positive impact on future performance of the company. The company is in process to import 50 air jet looms. We are also concentrating more on enhancement of exports of yarn to improve export sales revenue and margins. Cotton prices will play important role for future profitability of the company which have currently increased by 8% (from Rs.8,000/Md. to Rs.8,600/ Md).

GLOBAL ECONOMY

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario--which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The significant actions of large central banks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover.

RELIANCE RESPONSE TO COVID-19

World Health Organization (WHO) declared outbreak of Coronavirus Disease (COVID-19) a global pandemic on March 11, 2020. Consequent to this, Government of Pakistan declared lockdown on March 26, 2020 and the Company temporarily suspended the operations in all the units of the Company in compliance with the lockdown instructions issued by the Central and State Governments. COVID-19 has impacted the normal business operations of the Company by way of interruption in production, supply chain disruption, unavailability of personnel, closure/lock down of production facilities etc. during the lockdown period. However, production and supply of goods has commenced during the first week of April 2020 on various dates at all the manufacturing locations of the Company after obtaining permissions from the appropriate government authorities. Reliance extended its support and cooperation towards all Government Initiatives/ Directions for combating the escalating COVID-19 situation. Keeping in mind the safety and well-being of its employees as top priority, the Company decided to temporarily shut down its manufacturing facilities and offices, as per the directions/ guidelines issued by the Central / State Governments.

PAKISTANI ECONOMY

The International Monetary Fund slashed its FY21 growth projection for Pakistan to 2%, holding that the 'Great Lockdown' to combat the COVID-19 outbreak will throw the world economy into the worst recession since the Great Depression in 1930s. The coronavirus pandemic came at a time when Pakistan's economy was already slowing, due to persistent financial sector weaknesses. The severe disruption of economic activities caused by COVID-19, both through demand and supply shocks, has overtaken the incipient recovery in the Pakistan economy. Assuming a baseline scenario, in which the pandemic fades in the second half of 2020 and containment efforts are gradually unwound, the IMF in its biannual World Economic Outlook projected the global economy to contract sharply by 3% in 2020, much worse than during the 2008-09 financial crises.

OPERATION REVIEW

Yarn business

FY 2019-20 China is world largest textile and clothing exporter in the world and the largest supplier of USA. Due to US China Trade War, the Chinese exports including textile and clothing were subjected to high tariff import duties, which created a sense of great uncertainty. As China is one of the largest customers of cotton yarn from Pakistan, the aforesaid situation led to direct and indirect pressure on business in terms of sales volume. The same led to overcapacity in Pakistan, which in turn had an adverse impact on margins. In addition, some decline in sales was also registered due to lockdown in FY19- 20. This resulted into marginal increase in our closing stock as we were able to not only maintain our production level.

Fabric Business

FY 2019-20 Fabric businesses is sensitive to customer demands, we have been delivering customer satisfaction in the previous years and the progress is certainly to continue. However, with the advent of the corona virus pandemic, we also experienced economic slowdown. The market expansion, enlargement of the product basket, absorption of new capacity, reduction in lead time, product innovation, is our main objects. However, the disruption in March 2020 caused a slowdown. Amidst such tough times, it is our endeavor to increase the capacity utilization to the possible extent and to remain operationally efficient. Our emphasis is on strategically improving performance in the post-pandemic period. Owing to our strong presence in the international market, we have continued exporting goods and the sale has reached almost normal levels. Domestic sales are also reviving gradually.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

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

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

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

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

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

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

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

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

MATERIAL CHANGES IN FINANCIAL STATEMENTS:

Sr. #	Particulars	Unit	30 June, 2020	30 June, 2019
A	Gross profit	%	11.93	10.73
B	Return on sales	%	0.35	3.03
C	Earnings/(Loss) per share	Rs.	1.99	16.32
D	Market value of a share	Rs.	23.00	24.49
E	Balance sheet footing	Rs. in million	15,821	16,813

MARKET CAPITALIZATION

At the close of the year, the market capitalization of the Company stood at Rs. 708 million as against Rs. 754 million last year.

MODERNIZATION & EXPANSION

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

OUTSTANDING TAXES AND DUTIES

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

CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the Company is growing. This year the Company contributed in the

National Exchequer in the form of Federal Excise Duty, Sales Tax, Custom Duties, Income Tax, etc.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

EARNINGS PER SHARE

Your Company's post-tax profit of Rs. 61 million translates into EPS of Rs. 1.99 as compared to Rs. 16.32 last year.

DIVIDEND

The Board of directors has decided to not recommend dividend for the year ended June 30, 2020, to conserve cash for capital investment.

CHANGES IN THE BOARD OF DIRECTORS

Upon resignation of Mr. Fazal Ahmed Sheikh as Chief Executive Officer/Director of the Company,
Mr. Muhammad Mukhtar Sheikh was appointed as a Director in his place w.e.f. June 01, 2020. Subsequently, Mr. Faisal Ahmed was appointed as CEO of the Company. The Board comprised of one Executive Director, two Independent Directors and four Non-Executive Directors including a female Director. The Board recorded appreciation and valuable contribution over the years by Mr. Fazal Ahmed Sheikh as CEO of the Company and also welcomed Mr. Muhammad Mukhtar Sheikh and wished him success in his future endeavors.

NEW COMPOSITION OF THE BOARD

Mr. Fawad Ahmed Mukhtar	Chairman
Mr. Faisal Ahmed	Executive Director/CEO
Mr. Fahd Mukhtar	Non-Executive Director
Mrs. Fatima Fazal	Non-Executive Director
Mr. Muhammad Mukhtar Sheikh	Non-Executive Director
Mr. Shahid Aziz	Independent Director
Dr. M. Shaukat Malik	Independent Director

Meetings of the Board of Directors:

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

COMPOSITION OF THE BOARD AUDIT COMMITTEE

Pursuant to CCG-2019, the Board Audit Committee comprises of three Non-Executive Directors. The Chairperson being an Independent Non-Executive Director has an experience of over 30 years in financial matters.

The composition of Board Audit Committee is as under:

1	Mr. Shahid Aziz	Independent Non-Executive Director	Committee Chairman
2	Mr. Fahd Mukhtar	Non-Executive Director	Committee Member
3	Dr. Shaukat Malik	Independent Non-Executive Director	Committee Member

The Board of Directors has determined the Terms of Reference of the Audit Committee and provides adequate resources and authority to carry out its responsibilities effectively.

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

Sr. No.	Name of participants	Designation	Attendance
1	Mr. Shahid Aziz	Committee Chairman	4/4
2	Mr. Fahd Mukhtar	Committee Member	2/4
3	Dr. M. Shaukat Malik	Committee Member	4/4

COMPOSITION OF HUMAN RESOURCE & REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee comprises of Non-Executive Directors pursuant to CCG-2019. The Composition of the Committee is as under:

1	Dr. Shaukat Malik	Independent Non-Executive Director	Committee Chairman
2	Mr. Shahid Aziz	Independent Non-Executive Director	Committee Member
3	Mr. Fahd Mukhtar	Non-Executive Director	Committee Member

Mr. Faisal Ahmed, the Director of the Company resigned from the membership of Human Resource & Remuneration Committee on assuming the office of Chief Executive Officer pursuant to CCG-2019 and Mr. Shahid Aziz replaced him.

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

The Board has determined the Term of Reference of Human Resource & Remuneration Committee, which includes recommendation on Human Resource Management, Organizational development, training and Management succession.

Meeting of HR & Remuneration Committee:

Sr. No.	Name of participants	Designation	Attendance
1	Dr. M. Shaukat Malik	Committee Chairman	1/1
2	Mr. Faisal Ahmed	Committee Member	1/1
3	Mr. Fahd Mukhtar	Committee Member	-

COMPOSITION OF RISK MANAGEMENT COMMITTEE

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

a	Mr. Faisal Ahmed	CEO/Executive Director	Committee Chairman
b	Dr. Shaukat Malik	Independent Non-Executive Director	Committee Member
c	Mr. Shahid Aziz	Independent Non-Executive Director	Committee Member

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

Sr. No.	Name of participants	Designation	Attendance
1	Mr. Faisal Ahmed	Committee Chairman	1/1
2	Mr. Shahid Aziz	Committee Member	1/1
3	Dr. M. Shaukat Malik	Committee Member	1/1

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

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

STATEMENT OF ETHICS & BUSINESS PRACTICES

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

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

INTERNAL CONTROL

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

INTERNAL AUDIT FUNCTION

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

CODE OF CONDUCT

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

HEALTH SAFETY & ENVIRONMENT

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

a. The health of its employees, contractors, customers and public is protected.
b. All activities are carried out safely.
c. Environment is protected.
d. Comply with Pakistan's relevant laws and regulations.
e. Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures.
f. Ensure that environmental performance meets legislative requirements.
g. Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment.
h. Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company.
i. Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company.
j. Integrate Risk Assessment with all business processes.
k. Promote prevention of pollution and proper handling and disposal of wastes.
l. Continuously improve our performance by improving the leadership, capability and capacity of our organization.

INFORMATION TECHNOLOGY

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

WHISTLE BLOWING POLICY

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

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

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

a. All staff is protected from victimization, harassment or disciplinary action as a result of any disclosure made in good faith.
b. Disclosure to be in writing

c. Anonymous disclosure will not be entertained.

d. Full investigation of disclosure will be made

e. All disclosure to be treated confidentially

f. Disciplinary action will be taken against wrong doers.

g. No adverse Consequences to individual reporting in good faith

h. Malicious allegation reported by individuals will have adverse consequences

BUSINESS CONTINUITY PLANNING AND SAFETY PROCEDURES FOR DATA PROTECTION

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

INVESTOR GRIEVANCE POLICY

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

ANNUAL REPORT ACCESSIBILITY

Annual and quarterly reports are available on the corporate website at www.fatima-group.com.

AUDITORS AND AUDITORS' REPORT

M/s. ShineWing Hameed Chaudhry & Co., Chartered Accountants, has completed the Annual Audit for the year June ended 30, 2020 and has issued un-qualified audit report. The Auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company and being eligible have offered them for reappointment for the year ending June 30, 2021.

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

PATTERN OF SHAREHOLDING

Total number of the shareholders as at June 30, 2020 stood at 1,660 as against 1,665 last year.
The Pattern of shareholding and categories of shareholders as at June 30, 2020, as required under the Companies Act, 2017 and Pakistan Stock Exchange Regulations have been annexed in this report.

BRIEF ROLES & RESPONSIBILITIES OF THE CHAIRMAN & THE CEO

Pursuant to CCG 2019 (including any other statutory rules or re–enactment(s) for the time being in force), the Directors of your Company confirm that:

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

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

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

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

OFFICES OF CHAIRMAN, CHIEF EXECUTIVE OFFICE

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

DIRECTORS' TRAINING PROGRAM

All the Directors except two are exempt from Directors' Training Program for serving more than 15 years as a Board Member of a listed Company or have been appropriately certified under the Directors' Training Program from SECP approved institutions. The remaining two directors will get certification under the Directors' Training Program from SECP approved institute within the time limit mandated by CCG-2019.

ANNUAL EVALUATION ON BOARD PERFORMANCE

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

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

The criteria used in evaluation the performance is as under:

- Board Composition and organization.
- The board's term of reference.
- Skills & expertise of Board Members
- Strategic Planning
- The efficiency of Board meeting & the decision making process.
- Availability of Guide Line to the Management
- Regular follow up to measure the impact of board decisions.
- The quality of communication between the Board & the Company
- Board Procedure
- Appropriate constitution of Board Committees with members possessing adequate technical knowhow and experience.
- Split of Chairman & CEO role.
- Quality of management reports received from Board Committees
- Board & CEO effectiveness
- Risk mitigation

DETAILS ON INTERNAL FINANCIAL CONTROLS RELATED TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

CODE OF CORPORATE GOVERNANCE 2019

We welcome the enactment of CCG-2019 repealing the CCG-2017 with effect from September 25, 2019, being aligned with Companies Act 2017 & placing Pakistan Stock Exchange under SECP-Islamabad thereby increasing the confidence of investors.

The regulation will also strengthen governance structures, bring consistency in the corporate practices and promote transparency through enhanced disclosure requirements. Furthermore, the role and responsibilities of directors have been made clear and enhanced, independent decision-making is encouraged, gender diversity is supported and mechanism or transparency and accountability are strengthened.

ACKNOWLEDGEMENT

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

For and on behalf of the board

FAISAL AHMED
(Chief Executive Officer)

DR. M. SHAUKAT MALIK
(Independent Director)

Place: Lahore
Dated: September 29, 2020

ڈائریکٹرز کی رپورٹ

مالی نتائج:

کمپنی کا مجموعی منافع 2,060 ملین روپے رہا جو کہ گزشتہ سال 1,782 ملین روپے تھا، یوں اس میں 15 فیصد اضافہ ہوا۔ کمپنی کا ٹیکس کے بعد خالص منافع 61 ملین روپے رہا جو کہ گزشتہ سال 502 ملین روپے تھا۔

کمپنی کے منافع میں کمی کی بنیادی وجوہات درج ذیل تھیں:

- روپے کی قدر میں کمی کی وجہ سے یو ایس ڈالر فنانسنگ میں قرضہ جات پر شرح مبادلہ میں 314 ملین روپے کا نقصان
- کلوزنگ سٹاک پر NRV لاگو ہونے کی وجہ سے کمپنی کو 60 ملین روپے نقصان ہوا
- مالی لاگت میں 175 ملین روپے اضافہ ہوا جو کہ گزشتہ سال سے 17 فیصد زیادہ تھی

تفصیل	2020	2019
	روپے ملین میں	
سیلز	17,275	16,605
سیلز کی لاگت	15,214	14,822
مجموعی منافع	2,060	1,782
مالی لاگت	1,166	991
منافع بعد از ٹیکس	61	502

مستقبل کا لائحہ عمل:

دیگر شعبہ جات کی طرح سست روی کے نتیجہ میں دُنیا بھر میں ٹیکسٹائل کی کھپت سکڑاؤ کا شکار ہوئی اور یہ حقیقت امریکا اور یورپ و جاپان کی دیگر صف اول کی منڈیوں میں ٹیکسٹائل اور کپڑے کی درآمدات میں کمی سے ظاہر ہے۔ اگرچہ ٹی اینڈ سی تجارتی حجم میں اس کمی کا تخمینہ لگانا مشکل ہے مگر امریکی ٹی اینڈ سی امپورٹ ٹرینڈز کے حالیہ ڈیٹا سے یہ واضح ہوتا ہے کہ دُنیا بھر میں ٹی اینڈ سی درآمدات میں یہ کمی 18 فیصد (جنوری تا اپریل 2020) سے زائد ہے۔ چین سے درآمدات میں 41 فیصد کمی واقع ہوئی۔ امریکن ٹی اینڈ سی درآمدات میں کمی گلوبل سپلائی چین میں خلل کا باعث بنے گی۔ جیسا کہ ٹیکسٹائل انڈسٹری دُنیا بھر میں پھیلی ہوئی اور سپلائی چینز کے ذریعے منسلک ہے، اس لئے چین، بھارت، بنگلہ دیش، ویتنام وغیرہ سے برآمدی ممالک کو طلب میں سخت کمی کا سامنا رہے گا اور مارکیٹ شیئر کیلئے ان ممالک کے درمیان شدید مقابلہ کی فضا برقرار رہے گی۔ معقول پیداواری صلاحیت یقینی بنانے کیلئے برآمدی معیشتوں میں ٹیکسٹائل کمپنیاں منافع کے مارجنز پر سمجھوتہ کریں گی، جس کی وجہ سے مالی نتائج پر دباؤ میں مزید اضافہ ہوگا۔ اس صورتحال میں ذخیرہ کردہ سامان فروخت کرنے کیلئے ریٹیلرز کی جانب سے خصوصی ڈسکاؤنٹ متعارف کروائے جا رہے ہیں جو کہ ریٹیلرز کی گھبراہٹ کو ظاہر کرتا ہے۔ یہ صورتحال سٹاک میں کافی کمی ہونے تک جاری رہے گی۔ اس کے ساتھ ساتھ مستقبل قریب میں ٹیکسٹائل مصنوعات کی طلب میں اضافہ کی وجہ سے صورتحال میں بہتری بھی ہوسکتی ہے۔ فی الوقت یہ دونوں صورتیں تسلسل سے وقوع پذیر ہوں گی۔

عالمی سطح پر سال 2020-21 میں روئی کی پیداوار 25.85 ملین ٹن رہنے کی توقع ہے جو کہ گزشتہ سال 2019-20 میں 26.77 ملین ٹن تھی، یوں اس پیداوار میں 3.4 فیصد کمی متوقع ہے۔ پیداوار میں اس کمی کی بنیادی وجہ سال 2020-21 کے دوران روئی کے پیداواری رقبہ میں گزشتہ سال کے مقابلہ میں کمی ہے۔ تجارتی لحاظ سے غیر موافق ماحول اور کرونا وائرس کی وجہ سے سال 2020-21 کے دوران دُنیا بھر میں روئی کی کھپت 24.91 ملین ٹن رہنے کی توقع ہے جو کہ گزشتہ سال 2019-20 میں 22.35 ملین ٹن تھی۔ تاہم یہ اعداد و شمار روئی کی عام صورتحال میں کھپت سے کافی کم ہیں جو کہ 2018-19 کے دوران 26.20 ملین ٹن تھے۔

اس وقت شرح سود کمی کی جانب گامزن ہے جو کہ کمپنی کی مستقبل میں کارکردگی پر مثبت اثرات مرتب کرے گی۔ کمپنی 50 ایئر جیٹ لومز درآمد کر رہی ہے۔ ہم ایکسپورٹ سیلز ریونیو اور مارجنز میں بہتری کیلئے یارن کی برآمد میں اضافہ پر بھی توجہ مرکوز کر رہے ہیں۔ روئی کی قیمتیں بھی کمپنی کے مستقبل کے منافع میں اہم کردار ادا کریں گی جن میں اس وقت 8 فیصد اضافہ ہو چکا ہے (8,000 روپے فی Md سے 8,600 روپے فی Md)۔

شیئرز پر منافع:

آپ کی کمپنی نے 61 ملین روپے بعد از ٹیکس منافع حاصل کیا جو کہ 1.99 روپے فی شیئر آمدن پر منتج ہوا۔ گزشتہ سال یہ آمدن 16.32 روپے فی شیئر تھی۔

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کیلئے ڈیویڈنڈ کی سفارش نہ کرنے کا فیصلہ کیا ہے تاکہ کیپٹل سرمایہ کاری کیلئے کیش محفوظ کیا جا سکے۔

اعتراف:

آپ کی کمپنی کے ڈائریکٹرز سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، بینکوں، مالیاتی اداروں اور انشورنس کمپنیوں کی جانب سے مسلسل حمایت اور تعاون پر اُن کا شکریہ ادا کرتے ہیں۔ ڈائریکٹرز اپنے قابل قدر گاہکوں اور سپلائرز کی معاونت پر اُنکے تہہ دل سے مشکور ہیں۔ ہم اپنے شیئر ہولڈرز کا بھی شکریہ ادا کرتے ہیں جنہوں نے کمپنی پر اپنا بھروسہ اور اعتماد برقرار رکھا اور ہم کمپنی میں ان کی سرمایہ کاری کو اُنکے لئے زیادہ سے زیادہ سودمند بنانے کیلئے ہر ممکن حد تک کوششوں کی یقین دہانی کرواتے ہیں۔ آخر میں ڈائریکٹرز کمپنی کی نمو اور کامیابی میں کردار ادا کرنے والے تمام کارکنوں کی عقیدت، وفاداری اور محنت پر ان کو خراج تحسین پیش کرتے ہیں۔

بورڈ کے لئے اور اس کی طرف سے

فیصل احمد
چیف ایگزیکٹو آفیسر

ڈاکٹر محمد شوکت ملک
خودمختار ڈائریکٹر

مقام: لاہور
تاریخ: 29 ستمبر، 2020

VERTICAL ANALYSIS

Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
PKR in 000”	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Non current assets												
Property, plant and equipment	6,393,392	40.41%	6,227,003	37.04%	5,633,486	42.46%	5,371,086	47.52%	5,166,040	50.37%	5,377,184	52.99%
Intangible asstes	1,781	0.01%	2,728	0.02%	3,674	0.03%	4,620	0.04%	5,566	0.05%	6,513	0.06%
Long term investments	35,635	0.23%	763,601	4.54%	837,700	6.31%	855,744	7.57%	795,659	7.76%	812,370	8.01%
Long term deposits	28,776	0.18%	20,216	0.12%	21,019	0.16%	19,725	0.17%	15,572	0.15%	21,485	0.21%
Deffered tax assets	135,874	0.86%	71,221	0.42%	66,140	0.50%	55,179	0.49%	50,957	0.50%	57,218	0.56%
Total non current assets	6,595,458	41.69%	7,084,769	42.15%	6,562,019	49.46%	6,306,354	55.79%	6,033,794	58.84%	6,274,770	61.84%
Current assets												
Stores, spares and loose tools	268,499	1.70%	204,856	1.22%	220,724	1.66%	182,141	1.61%	182,572	1.78%	183,564	1.81%
Stock in trade	4,669,118	29.51%	5,944,942	35.37%	3,222,131	24.29%	3,009,201	26.62%	2,346,349	22.88%	1,576,371	15.53%
Trade debts	1,827,071	11.55%	2,281,363	13.57%	2,005,913	15.12%	603,771	5.34%	528,178	5.15%	953,668	9.40%
Loans and advances	974,612	6.16%	401,679	2.39%	263,590	1.99%	308,055	2.73%	392,010	3.82%	385,795	3.80%
Prepayments and other receivables	75,941	0.48%	35,474	0.21%	27,214	0.21%	30,944	0.27%	31,096	0.30%	26,982	0.27%
Short term investments	782,192	4.94%	137,331	0.82%	106,535	0.80%	109,921	0.97%	110,578	1.08%	124,045	1.22%
Tax refunds and export rebate due from the government	585,410	3.70%	606,596	3.61%	779,696	5.88%	656,267	5.81%	553,325	5.40%	551,312	5.43%
Cash and bank balances	42,972	0.27%	113,073	0.67%	79,087	0.60%	96,630	0.85%	77,390	0.75%	70,807	0.70%
Total current assets	9,225,814	58.31%	9,725,316	57.85%	6,704,890	50.54%	4,996,930	44.21%	4,221,498	41.16%	3,872,544	38.16%
Total assets	15,821,272	100%	16,810,085	100%	13,266,909	100%	11,303,284	100%	10,255,292	100%	10,147,314	100%
Share capital and reserves												
Issued, subscribed and paid up capital	308,109	1.95%	308,109	1.83%	308,109	2.32%	308,109	2.73%	308,109	3.00%	308,109	3.04%
Reserves	161,050	1.02%	165,798	0.99%	175,935	1.33%	179,321	1.59%	179,977	1.75%	191,534	1.89%
Revaluation surplus on freehold land	949,486	6.00%	949,486	5.65%	949,486	7.16%	634,325	5.61%	634,325	6.19%	634,325	6.25%
Unappropriated profit	2,458,268	15.54%	2,467,192	14.68%	1,968,262	14.84%	1,737,649	15.37%	1,651,175	16.10%	1,609,792	15.86%
Total capital and reserve	3,876,913	24.50%	3,890,584	23.14%	3,401,792	25.64%	2,859,404	25.30%	2,773,586	27.05%	2,743,760	27.04%
Non-current liabilities												
Long term finances	2,663,635	16.84%	1,826,835	10.87%	1,199,425	9.04%	1,762,343	15.59%	1,943,687	18.95%	2,077,764	20.48%
Liabilities against asset subject to finance lease	58,229	0.37%	8,829	0.05%	14,404	0.11%	1,270	0.01%	2,952	0.03%	24,159	0.24%
Staff retirement benefits- gratuity	258,432	1.63%	241,279	1.44%	267,705	2.02%	184,911	1.64%	154,870	1.51%	170,383	1.68%
Government grant	5,662	0.04%										
Total Non-current liabilities	2,985,957	18.87%	2,076,942	12.36%	1,481,534	11.17%	1,948,524	17.24%	2,101,509	20.49%	2,272,306	22.39%
Current liabilities												
Trade and other payables	1,684,521	10.65%	2,012,704	11.97%	1,322,614	9.97%	871,920	7.71%	864,046	8.43%	662,907	6.53%
Unclaimed dividend	8,523	0.05%	17,336	0.10%	16,216	0.12%	5,060	0.04%	4,942	0.05%	26,282	0.26%
Accrued mark-up	266,274	1.68%	309,363	1.84%	159,678	1.20%	132,681	1.17%	103,341	1.01%	108,570	1.07%
Short term borrowings	6,658,070	42.08%	7,816,016	46.50%	6,080,170	45.83%	4,581,656	40.53%	3,559,808	34.71%	3,592,817	35.41%
Current portion of non-current liabilities	143,401	0.91%	529,479	3.15%	669,476	5.05%	833,443	7.37%	744,035	7.26%	730,303	7.20%
Taxation	197,612	1.25%	157,660	0.94%	135,429	1.02%	70,596	0.62%	104,025	1.01%	10,369	0.10%
Total Current liabilities	8,958,402	56.62%	10,842,558	64.50%	8,383,582	63.19%	6,495,356	57.46%	5,380,197	52.46%	5,131,248	50.57%
Total equity and liabilities	15,821,272	100%	16,810,085	100%	13,266,909	100%	11,303,284	100%	10,255,292	100%	10,147,314	100%

HORIZONTAL ANALYSIS

Statement of Financial Position

	2020	20 vs 19	2019	19 vs 18	2018	18 vs 17	2017	17 vs 16	2016	16 vs 15	2015	15 vs 14
PKR in 000”	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**
Non current Assets												
Property, plant and equipment	6,393,392	2.67%	6,227,003	10.54%	5,633,486	4.89%	5,371,086	3.97%	5,166,040	-3.93%	5,377,184	17.18%
Intangible asstes	1,781	-34.69%	2,728	-25.76%	3,674	-20.48%	4,620	-17.00%	5,566	-14.54%	6,513	-12.68%
Long term investments	35,635	-95.33%	763,601	-8.85%	837,700	-2.11%	855,744	7.55%	795,659	-2.06%	812,370	131.91%
Long term deposits	28,776	42.34%	20,216	-3.82%	21,019	6.56%	19,725	26.67%	15,572	-27.52%	21,485	-4.85%
Deffered tax assets	135,874	90.78%	71,221	7.68%	66,140	19.86%	55,179	8.29%	50,957	-10.94%	57,218	0.00%
Total non current assets	6,595,458	-6.91%	7,084,769	7.97%	6,562,019	4.05%	6,306,354	4.52%	6,033,794	-3.84%	6,274,770	26.27%
Current assets												
Stores, spares and loose tools	268,499	31.07%	204,856	-7.19%	220,724	21.18%	182,141	-0.24%	182,572	-0.54%	183,564	-20.58%
Stock in trade	4,669,118	-21.46%	5,944,942	84.50%	3,222,131	7.08%	3,009,201	28.25%	2,346,349	48.84%	1,576,371	-33.87%
Trade debts	1,827,071	-19.91%	2,281,363	13.73%	2,005,913	232.23%	603,771	14.31%	528,178	-44.62%	953,668	-7.29%
Loans and advances	974,612	142.63%	401,679	52.39%	263,590	-14.43%	308,055	-21.42%	392,010	1.61%	385,795	8.65%
Prepayments and other receivables	75,941	114.07%	35,474	30.35%	27,214	-12.06%	30,944	-0.49%	31,096	15.25%	26,982	-62.39%
Short term investments	782,192	469.56%	137,331	28.91%	106,535	-3.08%	109,921	-0.59%	110,578	-10.86%	124,045	62.94%
Tax refunds and export rebate due from the government	585,410	-3.49%	606,596	-22.20%	779,696	18.81%	656,267	18.60%	553,325	0.37%	551,312	33.72%
Cash and bank balances	42,972	-62.00%	113,073	42.97%	79,087	-18.15%	96,630	24.86%	77,390	9.30%	70,807	-38.47%
Total current assets	9,225,814	-5.14%	9,725,316	45.05%	6,704,890	34.18%	4,996,930	18.37%	4,221,498	9.01%	3,872,544	-17.14%
Total assets	15,821,272	-5.88%	16,810,085	26.71%	13,266,909	17.37%	11,303,284	10.22%	10,255,292	1.06%	10,147,314	5.23%
Share capital and reserves												
Issued, subscribed and paid up capital	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%	308,109	0.00%
Reserves	161,050	-2.86%	165,798	-5.76%	175,935	-1.89%	179,321	-0.36%	179,977	-6.03%	191,534	16.02%
Revaluation surplus on freehold land	949,486	0.00%	949,486	0.00%	949,486	49.68%	634,325	0.00%	634,325	0.00%	634,325	0.00%
Unappropriated profit	2,458,268	-0.36%	2,467,192	25.35%	1,968,262	13.27%	1,737,649	5.24%	1,651,175	2.57%	1,609,792	-9.95%
Total capital and reserve	3,876,913	-0.35%	3,890,584	14.37%	3,401,792	18.97%	2,859,404	3.09%	2,773,586	1.09%	2,743,760	-5.23%
Non-current liabilities												
Long term finances and other payables	2,663,635	45.81%	1,826,835	52.31%	1,199,425	-31.94%	1,762,343	-9.33%	1,943,687	-6.45%	2,077,764	24.56%
Liabilities against asset subject to finance lease	58,229	559.53%	8,829	-38.71%	14,404	1034.16%	1,270	-56.98%	2,952	-87.78%	24,159	-40.58%
Deferred liabilities	258,432	7.11%	241,279	-9.87%	267,705	44.77%	184,911	19.40%	154,870	-9.10%	170,383	77.38%
Government grant	5,662	0.00%										
Total Non-current liabilities	2,985,957	43.77%	2,076,942	40.19%	1,481,534	-23.97%	1,948,524	-7.28%	2,101,509	-7.52%	2,272,306	25.90%
Current liabilities												
Trade and other payables	1,684,521	-16.31%	2,012,704	52.18%	1,322,614	51.69%	871,920	0.91%	864,046	30.34%	662,907	11.91%
Unclaimed dividend	8,523	-50.84%	17,336	6.91%	16,216	220.47%	5,060	2.39%	4,942	-81.20%	26,282	489.41%
Accrued mark-up	266,274	-13.93%	309,363	93.74%	159,678	20.35%	132,681	28.39%	103,341	-4.82%	108,570	-12.35%
Short term borrowings	6,658,070	-14.82%	7,816,016	28.55%	6,080,170	32.71%	4,581,656	28.71%	3,559,808	-0.92%	3,592,817	-4.43%
Current portion of non-current liabilities	143,401	-72.92%	529,479	-20.91%	669,476	-19.67%	833,443	12.02%	744,035	1.88%	730,303	85.97%
Taxation	197,612	25.34%	157,660	16.41%	135,429	91.84%	70,596	-32.14%	104,025	903.23%	10,369	-85.22%
Total Current liabilities	8,958,402	-17.38%	10,842,558	29.33%	8,383,582	29.07%	6,495,356	20.73%	5,380,197	4.85%	5,131,248	3.81%
Total equity and liabilities	15,821,272	-5.88%	16,810,085	26.71%	13,266,909	17.37%	11,303,284	10.22%	10,255,292	1.06%	10,147,314	5.23%

VERTICAL ANALYSIS

Statement of Profit or Loss

	2020		2019		2018		2017		2016		2015	
PKR in 000"	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**	**PKR**	**%**
Sales - net	17,275,166	100.00%	16,605,159	100.00%	13,913,861	100.00%	11,341,734	100.00%	10,049,389	100.00%	10,878,062	100.00%
Cost of sales	(15,214,366)	-88.07%	(14,822,654)	-89.27%	(12,568,217)	-90.33%	(10,357,639)	-91.32%	(9,162,497)	-91.17%	(10,036,196)	-92.26%
Gross profit	2,060,800	11.93%	1,782,505	10.73%	1,345,644	9.67%	984,095	8.68%	886,892	8.83%	841,866	7.74%
Distribution and marketing expenses	(233,553)	-1.35%	(155,954)	-0.94%	(143,633)	-1.03%	(116,530)	-1.03%	(106,736)	-1.06%	(162,883)	-1.50%
Administrative expenses	(195,566)	-1.13%	(188,640)	-1.14%	(166,022)	-1.19%	(146,018)	-1.29%	(145,757)	-1.45%	(148,971)	-1.37%
Other operating income	129,290	0.75%	323,765	1.95%	99,348	0.71%	23,333	0.21%	26,271	0.26%	38,370	0.35%
Other operating expenses	(355,078)	-2.06%	(68,117)	-0.41%	(50,012)	-0.36%	(25,574)	-0.23%	(12,221)	-0.12%	(18,966)	-0.17%
Profit from operations	1,405,893	8.14%	1,693,558	10.20%	1,085,325	7.80%	719,306	6.34%	648,449	6.45%	549,416	5.05%
Share of loss from associate	(91,663)	-0.53%	(70,781)	-0.43%	(21,670)	-0.16%	(12,001)	-0.11%	(11,033)	-0.11%	(3,595)	-0.03%
Finance cost	(1,166,615)	-6.75%	(991,464)	-5.97%	(622,204)	-4.47%	(539,521)	-4.76%	(530,199)	-5.28%	(688,185)	-6.33%
Profit before tax	147,615	0.85%	631,313	3.80%	441,451	3.17%	167,784	1.48%	107,217	1.07%	(142,364)	-1.31%
Taxation	(86,345)	-0.50%	(128,508)	-0.77%	(130,872)	-0.94%	(66,566)	-0.59%	(104,025)	-1.04%	44,445	0.41%
Profit after tax	61,270	0.35%	502,805	3.03%	310,579	2.23%	101,218	0.89%	3,192	0.03%	(97,919)	-0.90%

HORIZONTAL ANALYSIS

Statement of Profit or Loss

	2020	20 vs 19	2019	19 vs18	2018	18 vs17	2017	17 vs16	2016	16 vs15	2015
PKR in 000"	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**	**Change**	**PKR**
Sales - net	17,275,166	4.03%	16,605,159	19.34%	13,913,861	22.68%	11,341,734	12.86%	10,049,389	-7.62%	10,878,062
Cost of sales	(15,214,366)	2.64%	(14,822,654)	17.94%	(12,568,217)	21.34%	(10,357,639)	13.04%	(9,162,497)	-8.71%	(10,036,196)
Gross profit	2,060,800	15.61%	1,782,505	32.46%	1,345,644	36.74%	984,095	10.96%	886,892	5.35%	841,866
Distribution and marketing expenses	(233,553)	49.76%	(155,954)	8.58%	(143,633)	23.26%	(116,530)	9.18%	(106,736)	-34.47%	(162,883)
Administrative expenses	(195,566)	3.67%	(188,640)	13.62%	(166,022)	13.70%	(146,018)	0.18%	(145,757)	-2.16%	(148,971)
Other operating income	129,290	-60.07%	323,765	225.89%	99,348	325.78%	23,333	-11.18%	26,271	-31.53%	38,370
Other operating expenses	(355,078)	421.28%	(68,117)	36.20%	(50,012)	95.56%	(25,574)	109.26%	(12,221)	-35.56%	(18,966)
Profit from operations	1,405,893	-16.99%	1,693,558	56.04%	1,085,325	50.88%	719,306	10.93%	648,449	18.03%	549,416
Share of loss from associate	(91,663)	29.50%	(70,781)	226.63%	(21,670)	80.57%	(12,001)	8.77%	(11,033)	206.90%	(3,595)
Finance cost	(1,166,615)	17.67%	(991,464)	59.35%	(622,204)	15.33%	(539,521)	1.76%	(530,199)	-22.96%	(688,185)
Profit before tax	147,615	-76.62%	631,313	43.01%	441,451	163.11%	167,784	56.49%	107,217	-175.31%	(142,364)
Taxation	(86,345)	-32.81%	(128,508)	-1.81%	(130,872)	96.60%	(66,566)	-36.01%	(104,025)	-334.05%	44,445
Profit after tax	61,270	-87.81%	502,805	61.89%	310,579	206.84%	101,218	3070.99%	3,192	-103.26%	(97,919)

RATIO ANALYSIS

	2020	2019	2018	2017	2016	2015
Profitability Ratios						
Gross Profit Ratio	11.93%	10.73%	9.67%	8.68%	8.83%	7.74%
Net Profit Ratio	0.35%	3.03%	2.23%	0.89%	0.03%	-0.90%
EBITDA margin to sales	9.24%	11.31%	9.44%	8.30%	8.78%	7.24%
Return on Equity	1.58%	12.92%	9.13%	3.54%	0.12%	-3.57%
Return on Capital Employed	0.89%	8.43%	6.36%	2.11%	0.07%	-1.95%
Liquidity Ratios						
Current Ratio	1.03	0.90	0.80	0.77	0.78	0.75
Quick / Acid Test Ratio	0.48	0.33	0.39	0.28	0.31	0.41
Cash to current liabilities	0.00	0.01	0.01	0.01	0.01	0.01
Cash flow form operations to sales	0.15	(0.02)	0.01	0.02	0.09	0.16
Activity / Turnover Ratios						
Inventory Turnover ratio	2.74	3.23	4.03	3.87	4.67	3.91
No of days in inventory	133.00	112.87	90.48	94.36	78.13	93.47
Receivables turnover ratio	8.41	7.75	10.66	20.04	13.56	10.97
No of days in receivables	43.40	47.12	34.23	18.21	26.91	33.26
Total assets turnover ratio	1.06	1.10	1.13	1.06	0.99	0.99
Fixed assets turnover ratio	2.74	2.80	2.53	2.15	1.90	1.94
Investment / Market Ratios						
Earnings per share	1.99	16.32	10.08	3.29	0.10	(3.18)
Price earning ratio	11.56	1.50	3.02	13.86	251.80	(10.23)
Dividend yield	0%	14%	7%	3%	2%	0%
Dividend pay-out ratio	0%	35%	22.5%	15%	5%	0%
Dividend cover ratio	0	4.66	4.48	2.19	0.21	0.00
Cash dividend per share	0	3.5	2.25	1.5	0.5	0
Market value per share						
- Closing	23	24.49	30.49	45.60	25.18	32.52
- High	24.98	25.99	28.00	45.60	25.18	32.52
- Low	22.4	23.61	30.79	45.60	25.18	32.52
Break up value per share	125.83	126.27	110.41	92.80	90.02	68.46
Capital structure Ratios						
Long term Debt to Equity	0.72	0.61	0.55	0.91	0.97	1.02
Interest cover ratio	1.13	1.64	1.71	1.31	1.20	0.79

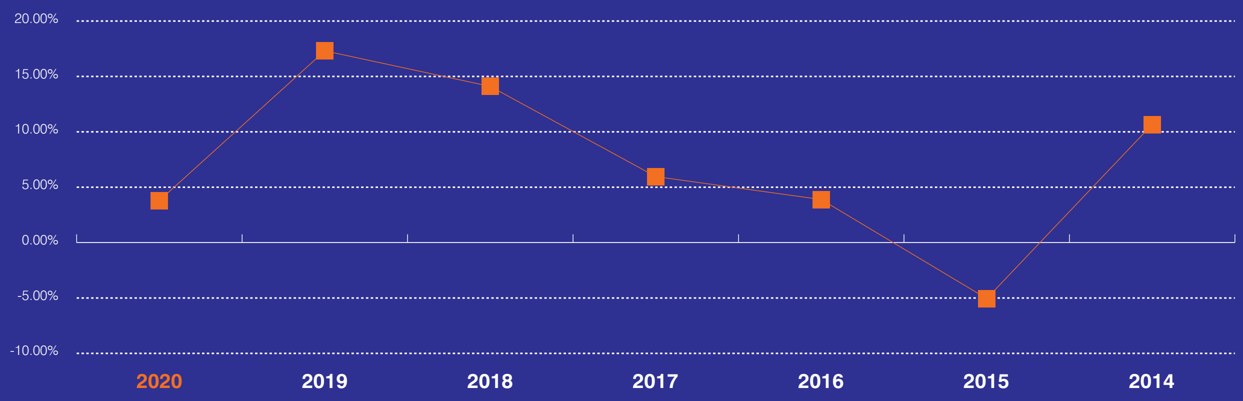
CASH FLOWS ANALYSIS

Rs. in '000'	2020	2019	2018	2017	2016	2015
Cash generated from / (used in) operations	2,538,717	(271,803)	90,275	261,873	859,368	1,760,996
Finance cost paid	(1,205,442)	(840,120)	(594,853)	(519,322)	(525,318)	(694,681)
Workers' (profit) participation payments	(35,073)	(23,608)	(9,796)	(19,615)	-	-
Taxes paid - net	(130,127)	(104,923)	(28,681)	(77,706)	(96,081)	(120,850)
Staff retirement benefits (gratuity) paid	(38,914)	(27,267)	(25,130)	(24,243)	(24,551)	(14,425)
	(1,409,556)	(995,917)	(658,459)	(640,886)	(645,950)	(829,956)
Net cash generated from / (used in) operating activities	1,129,161	(1,267,720)	(568,184)	(379,013)	213,418	931,040
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(426,495)	(858,037)	(228,076)	(445,336)	(33,875)	(1,033,194)
Sales proceed from disposals of fixed assets	4,605	9,459	30,310	6,266	1,120	4,164
Long term deposits	(8,560)	803	(1,294)	(4,153)	5,913	1,094
Long term investments made	(71,466)	15,905	(487,139)			
Government grant	12,031					
Net cash used in investing activities	(418,419)	(847,774)	(199,060)	(514,689)	(10,937)	(1,515,075)
CASH FLOWS FROM FINANCING ACTIVITIES						
Long term finances - net	445,485	483,755	(732,303)	(76,766)	(112,886)	747,077
Lease finances - net	48,269	(1,918)	18,553	(16,853)	(28,665)	(16,330)
Short term borrowings - net	(1,157,946)	1,735,847	1,498,514	1,021,848	(33,008)	(166,596)
Dividend paid	(116,651)	(68,204)	(35,062)	(15,287)	(21,339)	(24,394)
Net cash (used in) / generated from financing activities	(780,844)	2,149,480	749,702	912,942	(195,898)	539,757
Net (decrease) / increase in cash and cash equivalents	(70,101)	33,986	(17,543)	19,240	6,583	(44,278)
Cash and cash equivalents - at beginning of the year	113,073	79,087	96,630	77,390	70,807	115,085
Cash and cash equivalents - at end of the year	42,971	113,073	79,087	96,630	77,390	70,807

DUPONT ANALYSIS

	Return on Equity - (Equity multiplier x Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets)	Profit margin (Pro-tax profit / Sales)
	A = B*C	B	C = D*E	D	E
2020	3.80%	4.20	0.90%	1.06	0.85%
2019	17.31%	4.12	4.20%	1.10	3.80%
2018	14.10%	3.92	3.59%	1.13	3.17%
2017	5.96%	3.83	1.56%	1.05	1.48%
2016	3.89%	3.70	1.05%	0.99	1.07%
2015	-5.05%	3.51	-1.44%	1.10	-1.31%
2014	10.66%	3.25	3.28%	1.29	2.54%

GRAPHICAL PRESENTATION

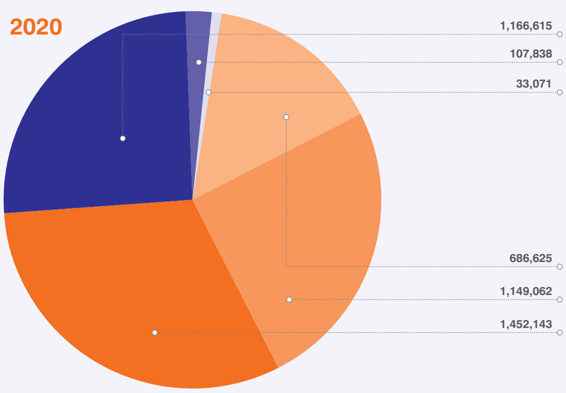


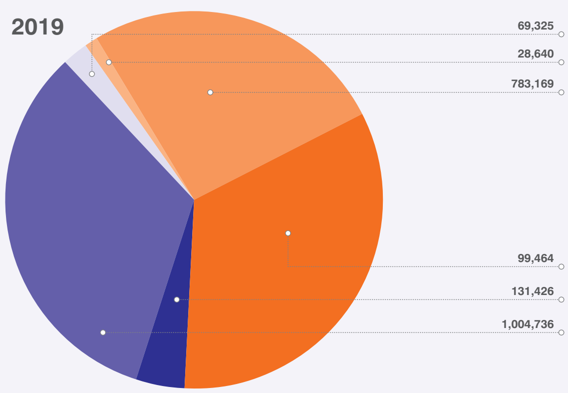
The Company earned profit despite health pandemic and declined sales trend in last quarter.
Sharp decline of Return on Assets & Equity is due to reduced profitability of the Company as compared to prvious year
Improved trend of asset base is showing continous efforts of management for BRM of production facilities.

VALUE ADDITION STATEMENT

Rs. in '000'	**2020**	2019
WEALTH CREATION		
SALES - Gross	18,640,963	16,608,078
Less: Cost of Material and services	14,174,899	13,923,082
Add: Other Income	129,290	323,765
	4,595,354	3,008,760
WEALTH DISTRIBUTION		
Remuneration and benefits paid to employees	1,149,062	1,004,736
Contribution to National Exchequer (Income tax & Sales Tax)	1,452,143	131,426
To providers of finance (Finance Cost)	1,166,615	991,464
Dividend to ordinary shareholders	107,838	69,325
Donations towards health, education & welfare activities	33,071	28,640
Retained within business	686,625	783,169
	4,595,354	3,008,760

GRAPHICAL PRESENTATION





SWOT ANALYSIS

STRENGTHS

- Textile manufacturing enjoys latest technology
- Highly Experienced, accomplished & skilled work force
- Wages are in the lowest side in the world textile industry
- Strong support from government which involves technology upgrade, skill devopment, and research

OPPORTUNITIES

- Fashion designing creativity Exploration
- Expansion with technology advnacements
- Diversification of product range
- Approach to global markets
- Joint venture with foreign companies

WEAKNESSES

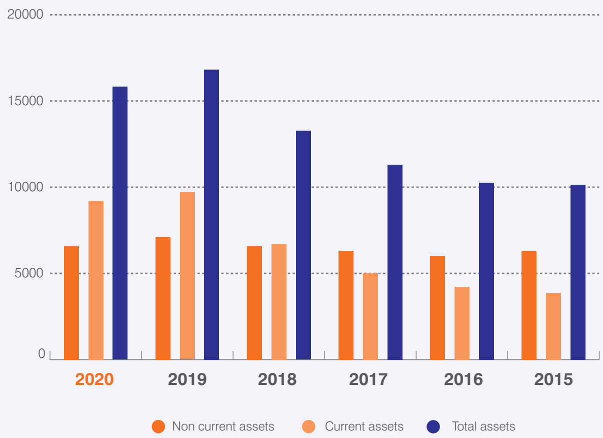
- Volatile market based raw material
- Non-availability of Hedge trading in cotton
- Excess Capacity of Spinning sector
- Reducing trend of per acre cotton production

THREATS

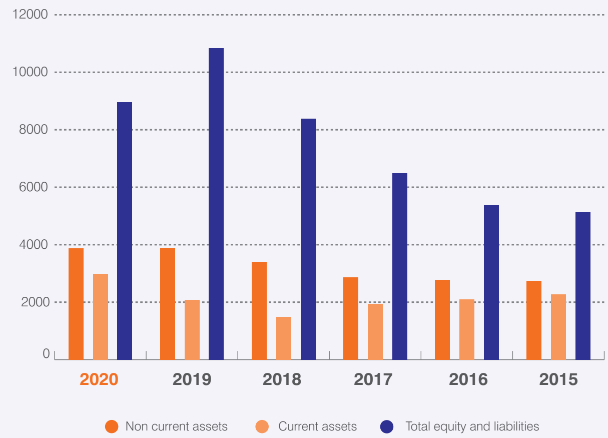
- Macro economic and political instability
- Rising regional and international competion
- Low pace of human resource deveoplment
- New competitor in the market
- GSP Plus Status Withdrawal

GRAPHICAL ANALYSIS

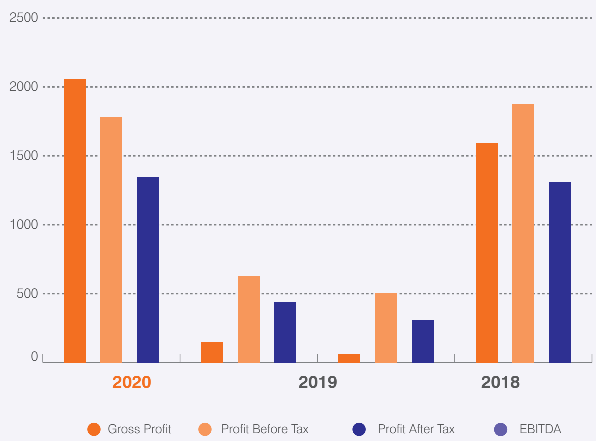
STATEMENT OF FINANCIAL POSTION ANALYSIS (ASSETS)
Rupees in Million



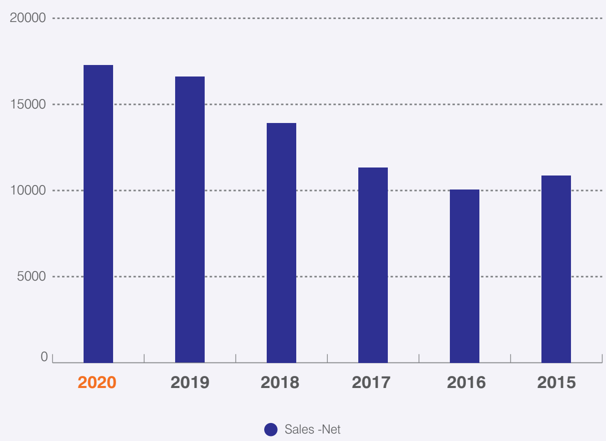
STATEMENT OF FINANCIAL POSTION ANALYSIS (EQUITY & LIABILITIES)
Rupees in Million



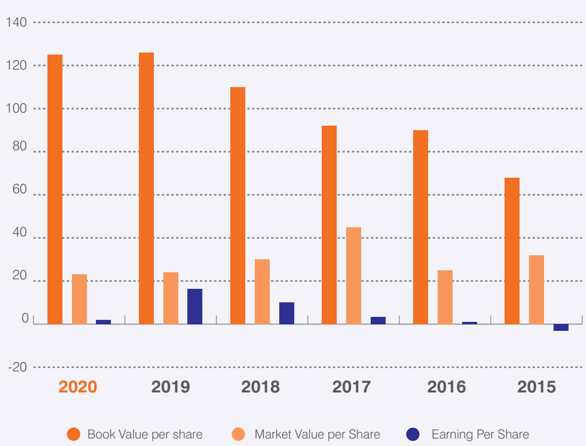
STATEMENT OF PROFIT OR LOSS ANALYSIS
Rupees in Million



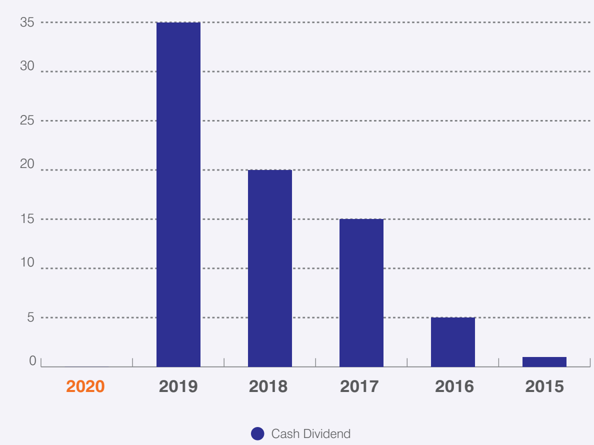
SALES TREND
Rupees in Million



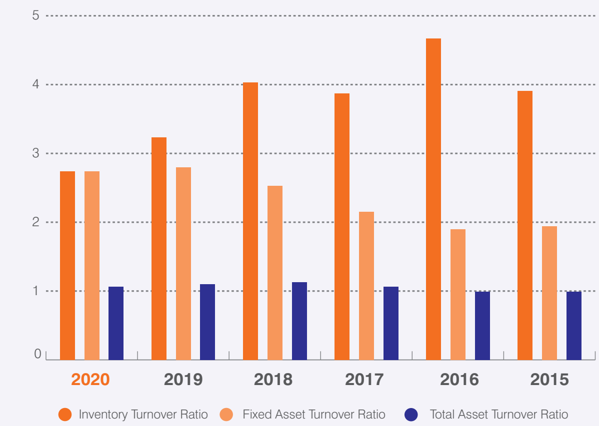
INVESTOR INFORMATION
Rupees



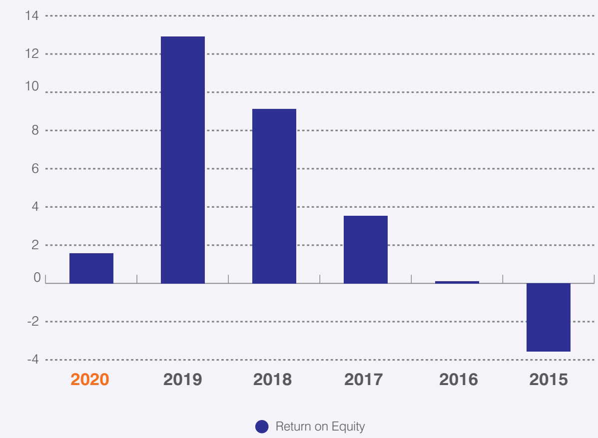
CASH DIVIDEND
Percentage



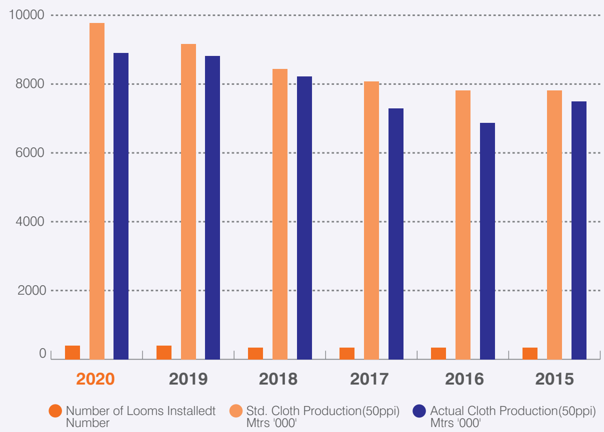
TURNOVER RATIO
Times



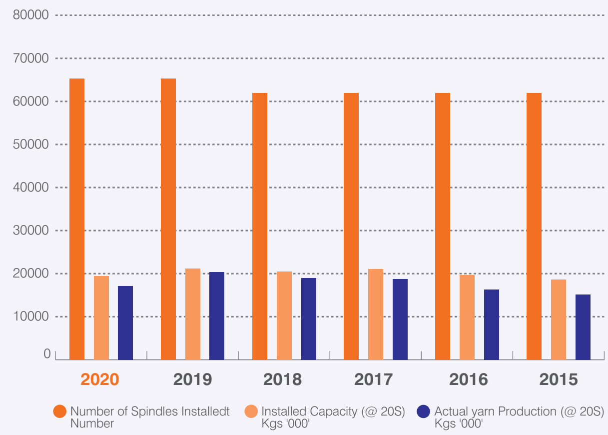
RETURN ON EQUITY
Percentage

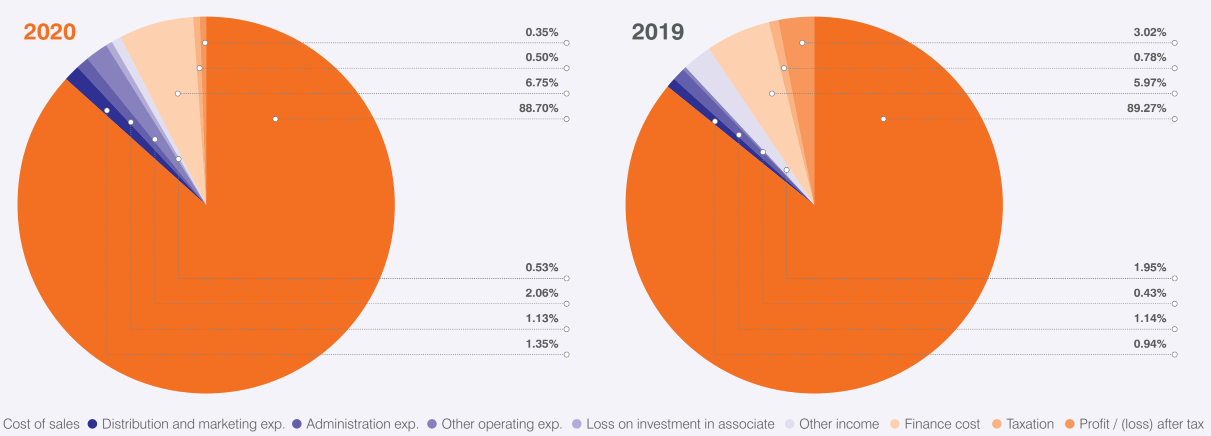


WEAVINNG



SPINING ANALYSIS





STATEMENT OF COMPLIANCE

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

Name of Company: **Reliance Weaving Mills Limited**
Year Ended: **June 30, 2020**

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

1. The total number of directors is seven as per the following:

a. Male:	6
b. Female:	1

2. The composition of Board is as follows:

a) Independent Directors

1. Dr. Muhammad Shaukat Malik
2. Mr. Shahid Aziz

b) Non-executive Directors

3. Mr. Fawad Ahmed Mukhtar
4. Mr. Fahd Mukhtar
5. Mr. Muhammad Mukhtar Sheikh

c) Executive Director

6. Mr. Faisal Ahmed

d) Female Director

7. Mrs. Fatima Fazal

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

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

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. Company stands complied with the requirements of Directors' Training Program (DTP). Two directors have already got DTP in previous years. Three Directors are exempt from the DTP and remaining two Directors shall obtain certification under the DTP in due course of time mandated by CCG 2019;

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

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

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

a) Audit Committee

Mr. Shahid Aziz	(Committee Chairman)
Mr. Fahd Mukhtar	(Committee Member)
Dr. M. Shaukat Malik	(Committee Member)

b) HR and Remuneration Committee

Dr. M. Shaukat Malik	(Committee Chairman)
Mr. Shahid Aziz	(Committee Member)
Mr. Fahd Mukhtar	(Committee Member)

c) Risk Management Committee

Mr. Faisal Ahmed	(Committee Chairman)
Mr. Shahid Aziz	(Committee Member)
Dr. M. Shaukat Malik	(Committee Member)

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

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

a) Audit Committee; Four quarterly meetings

Mr. Shahid Aziz	(Committee Chairman)	4/4
Mr. Fahd Mukhtar	(Committee Member)	2/4
Dr. M. Shaukat Malik	(Committee Member)	4/4

b) HR and Remuneration Committee; one annual meeting

Dr. M. Shaukat Malik	(Committee Chairman)	1/1
Mr. Faisal Ahmed	(Committee Member)	1/1
Mr. Fahd Mukhtar	(Committee Member)	–

c) Risk Management Committee; one annual meeting

Mr. Faisal Ahmed	(Committee Chairman)	1/1
Mr. Shahid Aziz	(Committee Member)	1/1
Dr. M. Shaukat Malik	(Committee Member)	1/1

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

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

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

18. We confirm that all requirements of the regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

Faisal Ahmed
(Chief Executive Officer)

Dr. M. Shaukat Malik
(Independent Director)

FINANCIAL STATEMENTS

Year ended June 30, 2020

INDEPENDENT AUDITORS'

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of RELIANCE WEAVING MILLS LIMITED (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

ShineWing Hameed Chaudhri & Co.

LAHORE;
DATED: SEPTEMBER 29, 2020

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the members of Reliance Weaving Mills Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of RELIANCE WEAVING MILLS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Sr No	Key audit matters	How the matter was addressed in our audit
1	**Impact of COVID-19** As disclosed in note 48 to the financial statements, the COVID-19 pandemic caused significant and unprecedented curtailment in economic and social activities from March, 2020 in line with directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan. In relation to the accounting and reporting obligations, the management has assessed the impact of COVID-19 related events on its financial statements. The management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas: - expected credit losses under IFRS 9, 'Financial instruments'; - the impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets'; - the net realisable value (NRV) of inventory under IAS 2, 'Inventories'; - deferred taxation in accordance with IAS 12, 'Income taxes';	Our audit procedures, amongst others, included the following: - obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy; - assessed the authenticity of the confirmations received; - checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts; - evaluated whether any impairment indicators exist that could trigger impairment for tangible and intangible assets; - evaluated management's assessment as to whether any provisions were required to be recorded as result of COVID-19; - checked the accuracy of deferred tax computation; - checked the reasonableness of the inputs used for calculation of NRV of inventories held to assess the adequacy of relevant provisions;

Sr No	Key audit matters	How the matter was addressed in our audit
	- provisions and contingent liabilities under IAS 37 ; and - going concern assumption used for the preparation of these financial statements. In view of the unique nature of this event and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.	- evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and - checked the adequacy of the disclosures made by the Company under the applicable financial reporting framework.
2	**First time adoption of IFRS 16** As referred in note 3.1(d) to the financial statements, the Company has adopted IFRS 16 'Leases' (the standard) with effect from July 01, 2019. The standard has introduced a new accounting model for operating lease contracts for lessees. As per the new requirements, the Company is required to recognise right-of-use assets for leased assets and liabilities for the lease payments over the lease term. The application of the new standard requires management to make significant estimates and judgments such as determination of lease term and appropriate discount rate for measurement of lease liability. We considered the adoption of the standard as a key audit matter due to the significance of the accounting change and the involvement of significant management judgments in respect of the application of the new standard.	Our audit procedures to review the application of IFRS 16, amongst others, included the following: - evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the financial statements; - obtained an understanding of the process and controls in place for identification of lease contracts; - corroborated the completeness of leases identified by the management by reviewing and analysing the existing lease arrangements as of the date of initial application and reviewing the rent expense ledgers for the year; - performed independent checks of lease accounting computations for lease contracts through reperformance of such computations and tracing the terms with relevant contracts; - evaluated the appropriateness of the assumptions used by the management in measuring lease liabilities such as discount rate and lease terms; and - assessed the adequacy and appropriateness of disclosures in the financial statements as required under the standard and applicable financial reporting framework.
3	**Valuation of stock-in-trade** The value of stock-in-trade at the reporting date aggregated Rs.4.669 billion representing 50.61% of the Company's total current assets. Stock-in-trade at the reporting date mainly included raw materials and finished goods (note 10). The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads incurred in bringing the inventories to their present location and conditions. Judgment has also been exercised by the management in determining the net realisable value of finished goods. We identified this matter as key in our audit due to the judgment and assumptions applied by the Company in determining the cost and net realisable value of stock-in-trade at the reporting date.	We assessed the appropriateness of management assumptions applied in calculating the value of stock-in-trade and validated the valuation by taking following steps: - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended inventory count at the year-end and reconciled physical inventory with inventory lists provided to ensure completeness of data; - assessed historical cost recorded in inventory valuation by checking purchase invoices on sample basis; - tested reasonability of assumptions applied by the management in allocation of labour and other various overhead costs to inventories;

Sr No	Key audit matters	How the matter was addressed in our audit
		- tested reasonability of assumptions applied by the management in allocation of labour and other various overhead costs to inventories; and - performed net realisable value test to assess whether cost of inventories exceeded its net realisable value by detailed review of subsequent sale invoices.
4	**Financing obligations and compliance with related covenant requirements** At the reporting date, the Company has outstanding long term financing facilities aggregating Rs.2.789 billion including Rs.822.825 million obtained during the current year, which constitutes 23.35% of total liabilities of the Company. The Company's key operating / performance indicators including liquidity, gearing and finance cost are directly influenced by the additions to the portfolio of financing. Further, new financing arrangements entail additional financial and non-financial covenants for the Company to comply with. The significance of new financing obtained during the year along with the sensitivity of compliance with underlying financing covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.	Our audit procedures in relation to verification of long term financing mainly included the following: - reviewed terms and conditions of financing agreements entered into by the Company with various banks and financial institutions; - circularised direct balance confirmations to banks and financial institutions and verified receipts and payments from relevant statements; - reviewed maturity analysis of financing to ascertain the classification of financing as per their remaining maturities; - assessed the status of compliance with financing covenants and also inquired from the management with regard to their ability to ensure future compliance with the covenants; - assessed the adequacy of disclosures made in respect of the long term financing obligations in the financial statements; and - checked on test basis the calculations of finance cost recognised in the statement of profit or loss.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

ShineWing Hameed Chaudhri & Co.

LAHORE;
DATED: SEPTEMBER 29, 2020

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,393,392,438	6,227,003,430
Intangible assets	6	1,781,378	2,727,608
Long term investments	7	35,634,539	763,600,882
Long term deposits		28,775,887	20,215,887
Deferred tax asset	8	135,874,199	71,221,430
		6,595,458,441	7,084,769,237
Current assets			
Stores, spares and loose tools	9	268,498,764	204,856,495
Stock-in-trade	10	4,669,117,626	5,944,941,975
Trade debts	11	1,827,071,431	2,281,363,323
Loans and advances	12	974,611,732	401,679,379
Prepayments and other receivables	13	75,940,679	35,474,182
Short term investments	14	782,191,687	137,331,496
Tax refunds and export rebate due from the Government	15	585,410,411	606,596,149
Cash and bank balances	16	42,971,521	113,072,872
		9,225,813,851	9,725,315,871
TOTAL ASSETS		15,821,272,292	16,810,085,108
SHARE CAPITAL AND RESERVES			
Authorised share capital	17	700,000,000	700,000,000
Issued, subscribed and paid-up share capital	18	308,109,370	308,109,370
Reserves	19	161,050,253	165,797,714
Revaluation surplus on freehold land		949,485,622	949,485,622
Unappropriated profit		2,458,268,124	2,467,191,699
		3,876,913,369	3,890,584,405
Liabilities			
Non-current liabilities			
Long term finances	20	2,663,634,866	1,826,834,561
Lease liabilities	21	58,229,005	8,828,823
Staff retirement benefits - gratuity	22	258,431,528	241,278,990
Government grant	23	5,661,937	–
		2,985,957,336	2,076,942,374
Current liabilities			
Trade and other payables	24	1,684,520,842	2,012,703,812
Unclaimed dividends		8,523,068	17,336,166
Accrued mark-up	25	266,273,953	309,363,247
Short term borrowings	26	6,658,070,441	7,816,016,456
Current portion of non-current liabilities	27	143,400,970	529,479,044
Taxation	28	197,612,313	157,659,604
		8,958,401,587	10,842,558,329
Total liabilities		11,944,358,923	12,919,500,703
Contingencies and commitments	29		
TOTAL EQUITY AND LIABILITIES		15,821,272,292	16,810,085,108

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

Chief Executive	Director	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
Sales - net	30	17,275,165,522	16,605,159,289
Cost of sales	31	(15,214,365,525)	(14,822,654,291)
Gross profit		2,060,799,997	1,782,504,998
Distribution and marketing expenses	32	(233,552,936)	(155,953,969)
Administrative expenses	33	(195,566,011)	(188,640,336)
Other income	34	129,289,763	323,764,626
Other expenses	35	(355,077,956)	(68,117,187)
Profit from operations		1,405,892,857	1,693,558,132
Finance cost	36	(1,166,615,287)	(991,463,904)
		239,277,570	702,094,228
Share of loss of Associates	7	(91,662,664)	(70,781,480)
Profit before taxation		147,614,906	631,312,748
Taxation	37	86,344,883	128,507,991
Profit after taxation		61,270,023	502,804,757
Earnings per share	38	1.99	16.32

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

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
Profit after taxation		61,270,023	502,804,757
Other comprehensive (loss) / income:			
Items that will not be reclassified subsequently to profit or loss			
Share of other comprehensive income / (loss) of an Associated Company	7	264,794	(3,317,607)
Impact of tax		(37,854)	554,936
		226,940	(2,762,671)
Unrealised loss on remeasurement of short term investments at fair value through other comprehensive income	14	(4,747,461)	(10,137,236)
Gain on remeasurement of staff retirement benefits - gratuity	22	43,659,145	81,913,480
Impact of tax		(6,241,403)	(13,701,663)
		37,417,742	68,211,817
		32,897,221	55,311,910
Total comprehensive income for the year		94,167,244	558,116,667

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

		Capital Reserves		Revenue			
	Share capital	Share premium	Revaluation surplus on freehold land	General reserve	Fair value gain / (loss) on short term investments	unappropriated profit	Total
				(Rupees)			
Balance as at June 30, 2018	308,109,370	41,081,250	949,485,622	74,171,959	60,681,741	1,968,262,404	3,401,792,346
Transaction with owners:							
Cash dividend at the rate of Rs.2.25 per ordinary share for the year ended June 30, 2018	–	–	–	–	–	(69,324,608)	(69,324,608)
Total comprehensive income for the year ended June 30, 2019:							
- profit for the year	–	–	–	–	–	502,804,757	502,804,757
- other comprehensive (loss) / income	–	–	–	–	(10,137,236)	65,449,146	55,311,910
	–	–	–	–	(10,137,236)	568,253,903	558,116,667
Balance as at June 30, 2019	308,109,370	41,081,250	949,485,622	74,171,959	50,544,505	2,467,191,699	3,890,584,405
Transaction with owners:							
Cash dividend at the rate of Rs.3.50 per ordinary share for the year ended June 30, 2019	–	–	–	–	–	(107,838,280)	(107,838,280)
Total comprehensive income for the year ended June 30, 2020:							
- profit for the year	–	–	–	–	–	61,270,023	61,270,023
- other comprehensive (loss) / income	–	–	–	–	(4,747,461)	37,644,682	32,897,221
	–	–	–	–	(4,747,461)	98,914,705	94,167,244
Balance as at June 30, 2020	308,109,370	41,081,250	949,485,622	74,171,959	45,797,044	2,458,268,124	3,876,913,369

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

Chief Executive

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	40	2,562,617,512	(271,802,605)
Finance cost paid		(1,205,441,802)	(840,119,569)
Workers' (profit) participation fund paid to workers and deposited in Government treasury		(35,072,738)	(23,607,696)
Taxes paid - net		(130,126,959)	(104,923,093)
Staff retirement benefits (gratuity) paid		(38,914,313)	(27,266,847)
Net cash generated from / (used in) operating activities		1,153,061,700	(1,267,719,810)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(450,395,102)	(858,036,740)
Sale proceeds and insurance claims of fixed assets		4,605,094	9,459,102
Long term deposits		(8,560,000)	803,293
Government grant		12,031,065	–
Net cash used in investing activities		(442,318,943)	(847,774,345)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		445,484,627	483,754,801
Lease finances - net		48,268,658	(1,917,604)
Dividend paid		(116,651,378)	(68,204,060)
Short term borrowings - net		(1,157,946,015)	1,735,846,850
Net cash (used in) / generated from financing activities		(780,844,108)	2,149,479,987
Net (decrease) / increase in cash and cash equivalents		(70,101,351)	33,985,832
Cash and cash equivalents - at beginning of the year		113,072,872	79,087,040
Cash and cash equivalents - at end of the year		42,971,521	113,072,872

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except where otherwise specifically stated.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency. All financial information has been rounded off to the nearest Rupee unless otherwise stated.

2.4 Critical accounting estimates, assumptions and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Useful lives, residual values and depreciation method of property, plant and equipment - notes 4.1 & 5.1.
- Useful lives, residual values and amortisation method of intangible assets - notes 4.2 & 6.
- Provision for impairment of inventories - notes 4.4, 4.5, 9 & 10.
- Provision for impairment of trade debts and other receivables - note 4.6 & 11.1.

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

– Obligation of staff retirement benefits (gratuity) - notes 4.10 & 22.

– Estimation of provisions - note 4.12.

– Estimation of contingent liabilities - notes 4.13 & 29.

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

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

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

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

3.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

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

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

(c) Amendments to IAS 28 'Investments in associates and joint ventures' are effective for annual periods beginning on or after January 01, 2019. The amendments clarify that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments do not have any significant impact on the Company's financial statements.

(d) IFRS 16, 'Leases' primarily affects the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and finance leases and requires recognition of an asset (the right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors has not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right of use assets and lease liabilities for leases - i.e. these leases are now disclosed in the statement of financial position.

The Company has adopted IFRS 16 retrospectively from July 01, 2019, but has not restated comparatives for the year 2019, as allowed under the specific transitional provisions in the standard. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Some lease contracts of the Company are extendable through mutual agreement between the Company and the lessor or cancellable by both parties immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that such contracts are short-term in nature. The Company recognises the lease payments associated with these leases as an expense in statement of profit or loss.

The accounting polices relating to Company's right of use asset and related lease liabilities are disclosed in note 4.1(b), details pertaining to right of use assets are disclosed in note 5.6 and related lease liabilities are disclosed in note 21.

(e) 'IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendments do not have any material impact on the Company's financial statements.

3.2 Standards and amendments to approved accounting standards that are not yet effective

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2019.

4.1 Property, plant and equipment

(a) Owned

Measurement

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

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

Revaluation

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

Depreciation

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

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

Disposal

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

Judgment and estimates

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

(b) Right of use assets and related liabilities

The Company leases head office building and vehicles for management use. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. At initial recognition, liabilities have been discounted using the Company's incremental borrowing rates ranging from 8.51% to 15.00%. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortised cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right to use assets equal to the present value of lease payments.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4.2 Intangible assets

Measurement

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

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

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

Judgment and estimates

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

4.3 Investments in equity instruments of Associated Companies

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

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

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

4.4 Stores, spares and loose tools

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

4.5 Stock-in-trade

These are stated at the lower of cost and net realisable value except for waste stock, which is valued at net realisable value.

Cost has been determined as follows:

- Raw materials	Weighted average cost
- Work in process and finished goods	Cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit comprise of invoice value plus other charges paid thereon.

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

Judgment and estimates

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

4.6 Trade debts and other receivables

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

4.7 Cash and cash equivalents

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

4.8 Impairment of non-financial assets other than inventories

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

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

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

4.9 Borrowings and borrowing costs

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

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

4.10 Staff retirement benefits - gratuity

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2020 on the basis of the projected unit credit method by an independent Actuary.

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

4.11 Trade and other payables

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

4.12 Provisions

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

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

4.13 Contingent liabilities

A contingent liability is disclosed when the Company:

- has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or

- has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.14 Derivative financial instruments and hedging activities

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

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

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

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

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

4.15 Taxation

(a) Current

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

(b) Deferred

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

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

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

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

4.16 Dividend and appropriation to reserves

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

4.17 Financial instruments

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

(a) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

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

ii) fair value through profit or loss; and

iii) fair value through other comprehensive income.

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

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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

Measurement

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

Debt instruments

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

i) Amortised cost

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

ii) Fair value through other comprehensive income (FVTOCI)

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

iii) Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Definition of default

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

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

Impairment of financial assets

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

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

- Trade debts
- Cash and bank balances

Simplified approach for trade debts

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

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

The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Recognition of loss allowance

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

Write-off

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

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

b) Financial Liabilities

Classification, initial recognition and subsequent measurement

Financial liabilities are classified in the following categories:

i) fair value through profit or loss; and

ii) other financial liabilities.

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

i) Fair value through profit or loss

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

ii) Other financial liabilities

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

Derecognition of financial liabilities

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

Offsetting of financial assets and financial liabilities

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

4.18 Foreign currency transactions

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

4.19 Revenue recognition

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

Contract assets

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

Contract liabilities

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

Others

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

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

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

Export duty drawback is recognised on accrual basis.

4.20 Deferred income – government grant

Government grant is initially measured at fair value; after initial recognition, it is measured at amortised cost using the effective interest rate method.

4.21 Segment reporting

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

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

4.22 Related party transactions

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

	Note	2020	2019
		(Rupees)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	6,238,305,049	6,213,181,129
Capital work-in-progress			
- civil works and buildings		72,479,850	13,822,301
Right of use assets	5.6	82,607,539	–
		6,393,392,438	6,227,003,430

5.1 Operating fixed assets

	Owned										Leased / right of use assets			
	Freehold land	Buildings on freehold land	Plant & machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fixtures	Vehicles	Sub-total	Office building	Vehicles	Sub-total	Grand total
	(Rupees)													
As at June 30, 2018														
Cost / revaluation	1,068,100,000	739,272,982	5,743,675,968	399,741,460	32,576,870	37,110,715	25,424,413	18,152,847	114,898,146	8,178,953,401	–	23,511,575	23,511,575	8,202,464,976
Accumulated depreciation	–	297,574,074	2,020,113,167	126,636,537	14,611,443	17,039,445	11,082,343	9,721,216	76,214,602	2,572,992,827	–	4,659,094	4,659,094	2,577,651,921
Book value	1,068,100,000	441,698,908	3,723,562,801	273,104,923	17,965,427	20,071,270	14,342,070	8,431,631	38,683,544	5,605,960,574	–	18,852,481	18,852,481	5,624,813,055
Year ended June 30, 2019														
Additions	677,000	18,827,352	790,511,272	9,416,689	5,183,015	1,820,587	1,399,582	620,900	4,237,446	832,693,843	–	20,193,617	20,193,617	852,887,460
Disposals														
Cost	–	–	(17,523,479)	–	–	(377,025)	–	–	(9,613,574)	(27,514,078)	–	–	–	(27,514,078)
Depreciation	–	–	10,583,314	–	–	162,848	–	–	7,364,526	18,110,688	–	–	–	18,110,688
Depreciation for the year	–	22,594,512	199,730,140	13,876,192	1,030,030	2,095,134	1,510,248	875,309	3,900,272	245,611,837	–	9,504,159	9,504,159	255,115,996
Book value	1,068,777,000	437,931,748	4,307,403,768	268,645,420	22,118,412	19,582,546	14,231,404	8,177,222	36,771,670	6,183,639,190	–	29,541,939	29,541,939	6,213,181,129
Year ended June 30, 2020														
Transitional effect														
upon initial application	–	–	–	–	–	–	–	–	–	–	56,901,824	–	56,901,824	56,901,824
Transfer from leased to owned														
Cost	–	–	–	–	–	–	–	–	5,711,160	5,711,160	–	(5,711,160)	(5,711,160)	–
Depreciation	–	–	–	–	–	–	–	–	(3,192,444)	(3,192,444)	–	3,192,444	3,192,444	–
Additions	35,325,625	18,478,339	235,789,430	6,737,094	4,059,888	5,917,980	3,720,149	2,310,239	10,935,635	323,274,379	–	11,561,350	11,561,350	334,835,729
Disposals														
Cost	–	–	–	–	–	(404,345)	(102,665)	–	(10,842,816)	(11,349,826)	–	(1,311,081)	(1,311,081)	(12,660,907)
Depreciation	–	–	–	–	–	182,116	80,865	–	8,748,097	9,011,078	–	382,399	382,399	9,393,477
Depreciation for the year	–	22,435,539	218,982,584	13,517,033	1,193,910	2,354,395	1,628,441	958,774	7,717,812	268,788,488	4,676,862	7,273,314	11,950,176	280,738,664
Book value	1,104,102,625	433,974,548	4,324,210,614	261,865,481	24,984,390	22,923,902	16,301,312	9,528,687	40,413,490	6,238,305,049	52,224,962	30,382,577	82,607,539	6,320,912,588
As at June 30, 2019														
Cost / revaluation	1,068,777,000	758,100,334	6,516,663,761	409,158,149	37,759,885	38,554,277	26,823,995	18,773,747	109,522,018	8,984,133,166	–	43,705,192	43,705,192	9,027,838,358
Accumulated depreciation	–	320,168,586	2,209,259,993	140,512,729	15,641,473	18,971,731	12,592,591	10,596,525	72,750,348	2,800,493,976	–	14,163,253	14,163,253	2,814,657,229
Book value	1,068,777,000	437,931,748	4,307,403,768	268,645,420	22,118,412	19,582,546	14,231,404	8,177,222	36,771,670	6,183,639,190	–	29,541,939	29,541,939	6,213,181,129
As at June 30, 2020														
Cost / revaluation	1,104,102,625	776,578,673	6,752,453,191	415,895,243	41,819,773	44,067,912	30,441,479	21,083,986	115,325,997	9,301,768,879	56,901,824	48,244,301	105,146,125	9,406,915,004
Accumulated depreciation	–	342,604,125	2,428,242,577	154,029,762	16,835,383	21,144,010	14,140,167	11,555,299	74,912,507	3,063,463,830	4,676,862	17,861,724	22,538,586	3,086,002,416
Book value	1,104,102,625	433,974,548	4,324,210,614	261,865,481	24,984,390	22,923,902	16,301,312	9,528,687	40,413,490	6,238,305,049	52,224,962	30,382,577	82,607,539	6,320,912,588
Depreciation rate (%)		5	5	5	5	10	10	10	20		8	20		

5.2 The management, as at April 01, 2020, in order to ascertain the useful life of owned and leased vehicles has carried-out an internal exercise and assessed their remaining useful life. Keeping in consideration the assessed useful life of vehicles, the depreciation method of vehicles has been changed from reducing balance method to straight line method. The management has also obtained opinion from independent valuers [M/s. K.G. Traders (Pvt.) Ltd.- approved Valuers of Pakistan banks Association]; the Valuers had confirmed the basis of useful life of vehicles as adopted by management. The aforementioned revision has been accounted for as change in accounting estimate in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect of this change in accounting estimate has been recognised prospectively in the statement of profit or loss of the current year. Had there been no revision, profit before taxation for the current year would have been higher by Rs.674,545 and carrying value of operating fixed assets would have been lower by the said amount.

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

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

(b) Had there been no revaluations, book value of freehold land would have been Rs.154.617 million as at June 30, 2020 (2019: Rs.119.292 million).

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

		Note	2020	2019
			(Rupees)	
5.4	**Depreciation for the year has been apportioned as under:**			
	Cost of sales	31	257,757,507	238,741,122
	Administrative expenses	33	11,030,981	16,374,874
			268,788,488	255,115,996

5.5 Particulars of immovable property

Location	Usage of immovable property	Total area (square feet)	Covered area (in square feet) Approx
Mouza Karpaal Pur, Khanewal Road, Multan.	Industrial	4,363,768	1,010,307
Mukhtarabad, Rawat, Rawalpindi.	Industrial	1,424,250	231,242

		Note	2020 (Rupees)
5.6	**Right of use assets**		
	Balance at beginning of the year		–
	Transfer from operating fixed assets:		
	- cost		43,705,192
	- accumulated depreciation		(14,163,253)
	Additions during the year		11,561,350
	Transfer to owned assets:		
	- cost		(5,711,160)
	- accumulated depreciation		3,192,444
	Assets disposed-off:		
	- cost		(1,311,081)
	- accumulated depreciation		382,399
	Transitional effect on initial application		
			56,901,824
	Depreciation charged during the year	5.7	(11,950,176)
	Book value at end of the year		82,607,539

5.7 Depreciation expense has been grouped under administrative expenses (note 33).

5.8 **Disposal of operating fixed assets**

Particulars	Cost	Accumulated depreciation	Book value	Claim/sale proceeds	(Loss) gain	Mode of disposal	Sold to / Claims received from
	(Rupees)						
Year ended June 30, 2020:							
Operating fixed assets							
Office equipment							
Laptop Dell	145,445	58,647	86,798	14,545	(72,253)	Company policy	Mr. Waheed Ahmed, employee.
Laptop HP Probook	59,900	32,901	26,999	6,000	(20,999)	- - do - -	Mr. Anjum Jamil, employee.
Laptop HP Inspiron	63,500	32,781	30,719	6,350	(24,369)	- - do - -	Mr. Asif Ali Malik, employee.
Laptop HP Inspiron	85,000	29,653	55,347	51,000	(4,347)	Insurance claim	EFU General Insurance Company Ltd.
Laptop HP Probook	50,500	28,134	22,366	6,100	(16,266)	Company policy	Muhammad Shahzad, employee.
	404,345	182,116	222,229	83,995	(138,234)		
Electric appliances							
Air Conditioner	59,615	53,525	6,090	5,000	(1,090)	Negotiation	Public Refrigeration Shop, Multan.
Air Conditioner	43,050	27,339	15,711	5,000	(10,711)	- - do - -	- - do - -
	102,665	80,865	21,800	10,000	(11,800)		
Vehicles							
Fork Lifter	1,165,475	1,118,403	47,072	210,000	162,928	- - do - -	Mr. Shahbaz Arshad.
Isuzu Bus	1,693,901	1,623,086	70,815	720,000	649,185	- - do - -	- - do - -
Suzuki Cultus	996,650	778,768	217,882	254,625	36,743	Company policy	Malik Asim Imam, employee.

Particulars	Cost	Accumulated depreciation	Book value	Claim/sale proceeds	(Loss) gain	Mode of disposal	Sold to / Claims received from
			(Rupees)				
Suzuki Cultus	1,014,050	795,987	218,063	235,068	17,005	- - do - -	Mr. Yasir Irafat, employee.
Suzuki Liana	1,339,991	1,017,435	322,556	381,150	58,594	- - do - -	Mr. Nouman, employee.
Suzuki Liana	1,463,690	1,117,108	346,582	381,150	34,568	- - do - -	Mr. Rashid Usman, employee.
Suzuki Cultus	1,040,661	798,480	242,181	436,796	194,615	- - do - -	Mr. Anwar ul Haq, employee.
Suzuki Cultus	473,286	243,080	230,206	263,288	33,082	- - do - -	Malik Subhan, employee.
Suzuki Cultus	1,057,739	782,192	275,547	264,075	(11,472)	- - do - -	Mr. Saqib Laeeq, employee.
Honda CD 70	65,950	58,372	7,578	12,580	5,002	- - do - -	Mr. Ahsan Alvi, employee.
Honda CD 70	69,525	56,605	12,920	13,910	990	- - do - -	Mr. Tayyab, employee.
Honda CD 70	70,901	55,283	15,618	13,600	(2,018)	- - do - -	Mr. Tanveer Ahmed, employee.
Honda CD 70	73,200	47,994	25,207	13,980	(11,227)	- - do - -	Mr. Akhtar Rasool, employee.
Honda CD 70	62,115	52,910	9,205	13,000	3,795	- - do - -	Mr. Irshad Hussain, employee.
Honda CD 70	69,586	59,394	10,192	13,917	3,725	- - do - -	Mr. Iftikhar Hussain, employee.
Honda CD 70	73,100	54,075	19,025	13,980	(5,045)	- - do - -	Mr. Furqan Ahmed Khan, employee.
Honda CD 70	73,100	51,043	22,058	13,980	(8,078)	- - do - -	Mr. Ali Raza, employee.
Honda CD 70	39,896	37,883	2,013	8,000	5,987	- - do - -	Mr. Shaukat Ali, employee.
	10,842,816	8,748,097	2,094,719	3,263,099	1,168,380		
Right of use assets							
Suzuki Cultus	1,311,081	382,399	928,682	1,248,000	319,318	Insurance claim	EFU General Insurance Company Ltd.
	12,660,907	9,393,477	3,267,430	4,605,094	1,337,664		
Year ended June 30, 2019:	27,514,078	18,110,688	9,403,390	9,459,102	55,712		

6. INTANGIBLE ASSETS - Computer software

	2020	2019
	(Rupees)	
Cost at beginning of the year	9,462,295	9,462,295
Less: amortisation:		
- at beginning of the year	6,734,687	5,788,457
- charge for the year	946,230	946,230
- at end of the year	7,680,917	6,734,687
Book value as at June 30,	1,781,378	2,727,608

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

	Note	2020	2019
		(Rupees)	
7. LONG TERM INVESTMENTS			
Associated Companies - Un-quoted			
Fatima Energy Ltd. (FEL)			
80,016,370 (2019: 80,016,370) ordinary shares of Rs.10 each - cost		800,054,340	800,054,340
Equity held: 14.04% (2019: 14.04%)			
Share of post acquisition loss and other comprehensive income - net		(71,147,313)	(33,276,421)
		728,907,027	766,777,919
Share of loss for the year		(65,335,140)	(27,917,978)
Adjustment based on preceding year's audited financial statements			
- loss for the year		(27,268,208)	(6,635,307)
- other comprehensive income / (loss)		264,794	(3,317,607)
		636,568,473	728,907,027
Fair value gain upon transfer of investments	7.2	53,972,799	–
		690,541,272	728,907,027
Transferred to short term investments at fair value through other comprehensive income	14	(690,541,272)	–
		–	728,907,027
Fatima Transmission Company Ltd. (FTCL)			
7,187,500 (2019: 7,187,500) ordinary shares of Rs.10 each - cost		71,875,000	71,875,000
Equity held: 31.25% (2019: 31.25%)			
Share of post acquisition loss and other comprehensive income		(37,181,145)	(952,950)
		34,693,855	70,922,050
Share of loss for the year		(32,545)	(21,308,123)
Adjustment based on preceding year's audited financial statements		973,229	(14,920,072)
		35,634,539	34,693,855
		35,634,539	763,600,882

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

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

7.2 The Company has discontinued the use of equity method in respect of its investments in FEL with effect from June 30, 2020, i.e. the date when FEL ceases to be an Associate of the Company due to resignation of common directors from the board of FEL. As the retained interest in the former Associate (FEL) is a financial asset, the Company has measured the retained interest at fair value. The fair value of the retained interest has been regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 (Financial Instruments). The Company has recognised in profit or loss, the difference between the fair value of the retained interest and the carrying amount of the investments, at the date the equity method was discontinued.

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

The fair value of investments in FEL has been determined using financial forecasts and projections developed by the Company using the relevant data obtained from the management of FEL. The Company's management has also considered the recent sale price of FEL's shares. The fair value of FEL shares as at June 30, 2020 has been determined at Rs.8.63 per share using discounted cash flows techniques. The recent sale of FEL's share was made at Rs.10 per share by an Associated Company to an independent buyer. The Company, as at June 30, 2020, has made an irrevocable election to present subsequent changes in fair value of investments in FEL in other comprehensive income and classify these investments under the already held category of short term investments at fair value through other comprehensive income.

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

The summary of financial information of FEL based on its audited / un-audited financial statements for the year ended June 30, 2020 is as follows:

Summarised statement of financial position

	2020 Un-audited	2019 Audited
	(Rupees in thousand)	
Non-current assets	32,516,645	29,571,646
Current assets	1,221,403	1,322,711
	33,738,048	30,894,357
Non-current liabilities	16,819,109	15,118,048
Current liabilities	12,425,763	10,817,783
	29,244,872	25,935,831
Net assets	4,493,176	4,958,526
Reconciliation to carrying amount		
Opening net assets	4,958,526	5,349,704
Loss for the year	(465,350)	(393,064)
Other comprehensive gain	–	1,886
Closing net assets	4,493,176	4,958,526

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Un-audited	2019 Audited
	(Rupees in thousand)	
Company's share percentage 14.04% (2019: 14.04%)		
Company's share	630,842	696,177
Adjustments based on audited financial statements and other adjustments	5,726	32,730
Carrying amount of investment	636,568	728,907
Summarised statement of profit or loss		
Loss for the year	(465,350)	(393,064)

7.4 FTCL was incorporated in Pakistan on December 26, 2014 as a public limited company and has not commenced its operations by June 30, 2020. The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers & sub-stations and the movement & delivery of electric power.

The summary of financial information of FTCL based on its audited / un-audited financial statements for the year ended June 30, 2020 is as follows:

Summarised statement of financial position

	2020 Un-audited	2019 Audited
	(Rupees in thousand)	
Non-current assets	811,276	719,177
Current assets	1,326	856
	812,602	720,033
Non-current liabilities	263,158	315,790
Current liabilities	440,899	295,595
	704,057	611,385
Net assets	108,545	108,648
Reconciliation to carrying amount		
Opening net assets	108,649	173,721
Loss for the year	(104)	(65,072)
Closing net assets	108,545	108,649
Company's share percentage 31.25% (2019:31.25%)		
Company's share	33,920	33,953
Adjustments based on audited financial statements and other adjustments	1,715	741
Carrying amount of investment	35,635	34,694
Summarised statement of profit or loss		
Loss for the year	(104)	(65,072)

	Note	2020	2019
		(Rupees)	

8. DEFERRED TAX ASSET

This is composed of the following:

	Note	2020	2019
Deductible temporary differences arising in respect of:			
- unabsorbed tax losses and minimum tax recoverable against normal tax charge in future years	8.1	561,022,435	542,118,352
- staff retirement benefits - gratuity		36,944,732	40,358,721
- investments in Associated Companies		5,142,992	18,120,094
- provision for impairment of trade debts		1,067,992	1,028,968
		604,178,151	601,626,135
Taxable temporary differences arising in respect of:			
- accelerated tax depreciation allowances		(466,432,452)	(529,017,308)
- lease finances		(1,871,500)	(1,387,397)
		(468,303,952)	(530,404,705)
		135,874,199	71,221,430

8.1 As at June 30, 2020, deferred tax asset amounting Rs.325.111 million (2019: Rs.227.013 million) on minimum tax recoverable against normal tax charge in future years has not been recognised in the financial statements on the ground of prudence. The management intends to re-assess the recognition of deferred tax asset as at June 30, 2021.

	Note	2020	2019
		(Rupees)	

9. STORES, SPARES AND LOOSE TOOLS

	Note	2020	2019
Stores including in-transit inventory valuing Rs.40.952 million (2019: Rs.3.105 million)		140,718,681	75,229,266
Spares		127,859,152	129,670,902
Loose tools		150,953	186,349
		268,728,786	205,086,517
Less: provision for obsolete items		(230,022)	(230,022)
		268,498,764	204,856,495

10. STOCK-IN-TRADE

	Note	2020	2019
Raw materials including in-transit inventory valuing Rs.35.235 million (2019: Rs.188.295 million)	10.3	1,451,253,702	4,081,656,896
Work-in-process		249,013,073	280,285,921
Finished goods	10.3	2,929,403,354	1,548,035,059
Waste		39,447,497	34,964,099
		2,968,850,851	1,582,999,158
		4,669,117,626	5,944,941,975

10.1 Stocks valuing Rs.65.670 million (2019: Rs.91.638 million) were in the possession of various parties for processing and finishing.

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

10.3 As at June 30, 2020 raw material inventories costing Rs.617.077 million and finished goods inventories costing Rs.385.217 million have been stated at net realisable value at Rs.582.198 million and Rs.360.108 million respectively; the amount charged to statement of profit or loss in respect of inventories write down to net realisable value worked-out to Rs.59.988 million (2019 : Rs.Nil) approximately. These write downs have been made based on management assessment of future usability of these inventory items and prevalent market conditions.

	Note	2020	2019
		(Rupees)	
11. TRADE DEBTS			
Export - secured		791,705,582	1,220,860,589
Local - unsecured and considered good		1,035,365,849	1,060,502,734
Considered doubtful		3,682,731	3,548,165
		1,039,048,580	1,064,050,899
		1,830,754,162	2,284,911,488
Less: provision for impairment		(3,682,731)	(3,548,165)
		1,827,071,431	2,281,363,323
11.1 Provision for impairment			
Balance at beginning of the year		3,548,165	–
Allowance for the year		3,682,731	3,548,165
Reversal during the year		(3,548,165)	–
		134,566	3,548,165
Balance at end of the year		3,682,731	3,548,165
12. LOANS AND ADVANCES			
Advances to:			
- Fatima Energy Ltd.	12.1	506,339,428	–
- key management personnel		3,143,980	3,752,500
- employees		221,208,692	199,019,534
- suppliers		77,924,755	30,354,443
Due from related parties	12.2	47,915,159	141,090,115
Letters of credit		1,792,339	54,425
Margin deposits		116,287,379	27,408,362
		974,611,732	401,679,379

12.1 These advances have been made to Fatima Energy Ltd. (an Associated Company upto June 30, 2020) to meet its financial obligations. These carry mark-up at the rate of 1-month KIBOR plus 3% per annum; the effective mark-up rates charged during the year ranged from 10.83% to 16.66% per annum. The associated relation has ceased on June 30, 2020; accordingly, the management has decided to classify these advances under current assets. These advances will be adjusted / settled subsequent to the year-end.

	Note	2020	2019
		(Rupees)	
12.2 Due from related parties			
Fatima Sugar Mills Ltd.	(a)	–	39,297,983
Reliance Commodities (Pvt.) Ltd.	(b)	18,625,894	3,480,916
Fatima Transmission Company Ltd.	(b)	24,812,439	15,314,068
Fatima Energy Ltd.	(b)	–	78,520,322
Multan Cloth Finishing Factory	(c)	4,406,280	4,406,280
FatimaFert Ltd.	(c)	70,546	70,546
		47,915,159	141,090,115

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

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

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

12.3 Maximum aggregate amounts due from related parties at any month-end during the year aggregated Rs.464.605 million (2019: Rs.141.090 million).

	Note	2020	2019
		(Rupees)	
13. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		450,142	1,113,460
Accrued mark-up	13.1	71,002,752	34,335,722
Others		4,487,785	25,000
		75,940,679	35,474,182

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

	Note	2020	2019
		(Rupees)	
14. SHORT TERM INVESTMENTS			
(At fair value through other comprehensive income)			
Quoted			
Fatima Fertilizer Company Ltd. (FFCL)			
2,625,167 (2019: 2,625,167) fully paid ordinary shares of Rs.10 each at fair value	14.1	78,361,236	85,055,412
Fair value adjustment		(8,190,521)	(6,694,176)
Fair value at end of the year		70,170,715	78,361,236
Others - Un-quoted			
Multan Real Estate Company (Pvt.) Ltd. (MREC)			
214,797 (2019: 214,797) ordinary shares of Rs.100 each Equity held 9.90% (2019:9.90%)	14.2	21,479,700	21,479,700
Fatima Energy Ltd. (FEL)			
80,016,370 ordinary shares of Rs.10 each Equity held 14.04%	7.2	690,541,272	–
Sales tax refund bonds and accrued profit thereon	14.3	–	40,933,620
Fair value adjustment		–	(3,443,060)
		–	37,490,560
		782,191,687	137,331,496

14.1 FFCL, as at June 30, 2020, is a related party of the Company; however, considering shareholding percentage in FFCL i.e. 0.13%, the Company does not have significant influence to participate in the financial and operating decisions of FFCL. Accordingly, investments in FFCL have not been accounted for using the equity method.

14.2 Value of investments based on net assets shown in the un-audited financial statements of MREC for the year ended June 30, 2020 amounted Rs.21.491 million (2019: Rs.21.495 million).

14.3 The Company, during the year, has fully received proceeds aggregating Rs.40.934 million against these sales tax refund bonds.

	Note	2020	2019
		(Rupees)	

15. TAX REFUNDS AND EXPORT REBATE DUE FROM THE GOVERNMENT

	Note	2020	2019
Export rebate and duty draw back		134,460,601	112,768,327
Advance income tax		279,279,182	266,476,423
Sales tax refundable		161,341,005	217,471,654
Special excise duty		10,329,623	9,879,745
		585,410,411	606,596,149

16. CASH AND BANK BALANCES

	Note	2020	2019
Cash-in-hand		4,187,673	2,508,901
Cash at banks on:			
- current accounts	16.1	36,957,936	110,018,559
- saving accounts	16.2	1,825,912	545,412
		38,783,848	110,563,971
		42,971,521	113,072,872

16.1 These include foreign currency balance of U.S.$ 4,532 (2019: U.S.$ 234,247), which has been translated in Pak Rupees at the exchange rate ruling on the reporting date.

16.2 These carry profit at the rates ranging from 2.75% to 10.30% (2019: 2.40% to 10.25%) per annum.

17. AUTHORISED SHARE CAPITAL

2020	2019		2020	2019
(No. of share)			(Rupees)	
40,000,000	40,000,000	Ordinary shares of Rs.10 each	400,000,000	400,000,000
30,000,000	30,000,000	Preference shares of Rs.10 each	300,000,000	300,000,000
70,000,000	70,000,000		700,000,000	700,000,000

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2020	2019		2020	2019
(No. of share)			(Rupees)	
17,801,875	17,801,875	Ordinary shares of Rs.10 each fully paid in cash	178,018,750	178,018,750
13,009,062	13,009,062	Ordinary shares of Rs.10 each issued as fully paid bonus shares	130,090,620	130,090,620
30,810,937	30,810,937		308,109,370	308,109,370

	2020	2019
	Numbers of Shares	
18.1 Ordinary shares held by the related parties at the reporting date are as follows:		
Reliance Commodities (Pvt.) Ltd.	3	3
Fatima Holding Ltd.	845,705	845,705
	845,708	845,708

	Note	2020	2019
		(Rupees)	
19. RESERVES			
Composition of reserves is as follows:			
Capital reserve			
- Share premium	19.1	41,081,250	41,081,250
Revenue reserve			
- General reserve		74,171,959	74,171,959
Fair value reserve on short term investments at fair value through other comprehensive income	19.2	45,797,044	50,544,505
		161,050,253	165,797,714

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

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

	Note	2020	2019
		(Rupees)	
20. LONG TERM FINANCES - Secured			
From banking companies / financial institutions			
National Bank of Pakistan			
(NBP) (DF-IV)	20.1	28,167,958	45,068,743
Pak Brunei Investment Co.			
(PBIC) (TF)	20.2	80,000,000	140,000,000
Meezan Bank Ltd. (MBL) (DM-II)	20.3	32,148,814	83,223,221
Saudi Pak Industrial and Agricultural			
Investment Company Ltd.			
(Saudi Pak) (SBP-LTFF)	20.4	600,000,000	600,000,000
Saudi Pak (SBP-LTFF)	20.5	146,690,119	–
Allied Bank Ltd. (ABL) (TF)	20.6	58,333,338	116,666,671
ABL (TF)	20.7	262,500,000	300,000,000
Pak Libya Holding Company			
(Pvt.) Ltd. (PLHC)	20.8	100,000,000	120,000,000
PLHC (LTF)	20.9	200,000,000	–
United Bank Ltd. (UBL) (NIDF-I)	20.10	30,000,000	90,000,000
UBL (NIDF-II under LTFF scheme)	20.11	500,404,385	548,936,213
Askari Bank Ltd. (Askari) (DM)	20.12	125,000,000	150,000,000
Askari (DM)	20.13	150,000,000	150,000,000
Askari (DM-III)	20.14	129,101,195	–
Bank Islami Pakistan Ltd.			
(Bank Islami) (DM)	20.15	250,000,000	–
Pakistan Kuwait Investment			
Company (Pvt.) Ltd. (PKIC) (LTFF)	20.16	9,152,550	–
Meezan Bank Ltd. (MBL) (BMF)	20.17	87,881,116	–
Balance as at June 30,		2,789,379,475	2,343,894,848
Less: current portion grouped			
under current liabilities:			
- NBP (DF-IV)		5,633,591	22,534,380
- PBIC (TF)		–	80,000,000
- MBL (DM-II)		16,074,407	67,148,814
- Saudi Pak (SBP-LTFF)		19,387,504	–
- ABL		–	58,333,333
- ABL		–	37,500,000
- PLHC		14,285,715	40,000,000
- UBL (NIDF-I)		30,000,000	90,000,000
- UBL (NIDF-II)		8,291,268	52,793,760
- Askari		–	50,000,000
- Askari		–	18,750,000
- Askari (DM-III)		32,072,124	–
		125,744,609	517,060,287
		2,663,634,866	1,826,834,561

20.1 These finances have been obtained during the financial year ended June 30, 2016 to retire import sight letter of credit for import of miscellaneous spinning machinery installed at spinning Unit of the Company. These carry mark-up at the rate of 3-months KIBOR + 2.25 %; the effective mark-up rates during the year ranged from 5.00% to 16.10% (2019: 5.00% to 13.24%) per annum. These are repayable in 24 equal quarterly instalments commenced from October, 2015. These finances are secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin and personal guarantees of all sponsoring directors of the Company.

As per State Bank of Pakistan's (SPB) BPRD Circular No. 13 of 2020, NBP has allowed the Company moratorium of one year under COVID-19 relief and deferred the repayment of instalments falling due between the period July, 2020 to April, 2021.

20.2 These finances have been obtained during the financial year ended June 30, 2017 to finance the mismatch from usage of short term debt for financing the long term assets. These carry mark-up at the rate of 3-months KIBOR + 1.75%; the effective mark-up rates during the year ranged from 9.89% to 15.65% (2019: 8.59% to 14.65%) per annum. These are repayable in 15 equal quarterly instalments commenced from September, 2017. These finances are secured against first pari passu charge on all present and future fixed assets of the Company (including land and buildings) with 25% margin and personal guarantees of sponsoring directors of the Company.

PBIC, vide its letter Ref. # PBIC/CBG/067-A1/2020 dated May 15, 2020, has approved deferment of principal amount of facility amounting Rs.80 million in line with the Company's request and SBP's BPRD Circular No. 13 of 2020. As per the revised terms, the tenor of the facility has been extended by 24 months from the current maturity date of March 08, 2021.

20.3 These finances have been obtained during the financial year ended June 30, 2014 to finance imported plant and machinery. These carry mark-up at the rate of 6-months KIBOR + 0.90%; the effective mark-up rates during the year ranged from 11.74% to 14.99% (2019: 7.36% to 14.01%) per annum. These finances are repayable in 20 equal quarterly instalments commenced from March, 2015. These finances are secured against exclusive hypothecation charge of Rs.350 million over underlying plant and machinery against the disbursed amount and additional first pari passu hypothecation charge of Rs.117 million over land, buildings and plant & machinery of the Company to cover the margin upto 25% and personal guarantees of directors of the Company.

In response to the Company's request and complying with the SBP's guidelines regarding COVID-19, MBL, vide its letter Ref. # MBL/CFD/0501/0225/2020 dated May 07, 2020, has extended the tenor of DM by one year.

20.4 These finances have been obtained during the financial year ended June 30, 2019 for BMR in spinning and weaving units and are repayable in 32 quarterly instalments commencing April, 2021. These carry mark-up at the rates ranging from 3.50% to 15.46% (2019: 3.50% to 15.46%) per annum and are secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin.

During the current year, an amount of Rs.9.916 million out of total finances of Rs.600 million from Saudi Pak was approved and refinanced by SBP under LTFF scheme against BMR in spinning and weaving units eligible under the said scheme. This LTFF is repayable within the same period as stated in the preceding paragraph. Mark-up under SBP's LTFF scheme is chargeable at the rate of 3.5% per annum. These finances are secured against the securities as stated in the preceding paragraph.

Saudi Pak, vide its letter Ref. # CAD-1096/20 dated May 13, 2020, has deferred the repayments of principal instalments for one year under SBP IH & SMEFD Circular No.5 dated April 03, 2020 to dampen the effect of COVID-19. As per the revised arrangements, Saudi Pak has approved the Company's request for deferment of Saudi Pak's outstanding principal of long term finance facility of Rs.600 million under SBP-LTFF Scheme . The Company has been allowed additional grace period in repayment of principal commencing with effect from March, 2020 till February, 2021 during which the Company will pay only mark-up as and when due. Next principal amount shall be due on April 11, 2021.

20.5 These finances have been obtained during the current financial year against approved limit of Rs.200 million for BMR and expansion in spinning and weaving units and are repayable in 28 equal quarterly instalments commencing March, 2022. These carry mark-up at the rates ranging from 3.50% to 16.06% per annum and are secured against first pari passu charge on all present and future fixed assets of the Company with 25% margin.

During the current year, an amount of Rs.108.990 million out of total finances of Rs.146.690 million from Saudi Pak was approved and refinanced by SBP under LTFF scheme against BMR in spinning and weaving units eligible under the said scheme. This LTFF is repayable within the same period as stated in the preceding paragraph. Mark-up under SBP's LTFF scheme is chargeable at the rate of 3.5% per annum. These finances are secured against the securities as stated in the preceding paragraph.

20.6 These finances have been obtained during the financial year ended June 30, 2014 to finance the textile machinery for expansion in the spinning unit of the Company. These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 14.36% to 14.74% (2019: 8.29% to 12.05%) per annum. These finances are repayable in 12 equal half-yearly instalments commenced from October, 2015 and are secured against first pari passu charge over present and future fixed assets of the Company for Rs.467 million with 25% margin.

ABL, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed grace period of one year. Accordingly, the outstanding balance as at June 30, 2020 is repayable in two equal instalments commencing October, 2021.

20.7 These finances have been obtained during the financial year ended June 30, 2019 for statement of financial position re-profiling and carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 14.36% to 14.74% (2019: 9.31% to 12.05%) per annum. These finances are repayable in 8 equal half-yearly instalments commenced from February, 2020 and are secured against first pari passu charge over present and future fixed assets of the Company for Rs.400 million with 25% margin and personal guarantees of sponsoring directors of the Company.

ABL, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed grace period of one year. Accordingly, the outstanding balance as at June 30, 2020 is repayable in 7 equal instalments commencing August, 2021.

20.8 These finances have been obtained during the financial year ended June 30, 2016 to reduce the funding gap from usage of short term debt for financing long term assets and to create cushion in existing short term working capital lines. These carry mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rates during the year ranged from 9.22% to 15.48% (2019: 9.04% to 15.11%) per annum. These finances are repayable in 10 equal half-yearly instalments commenced from December, 2017 and are secured against pari passu charge on fixed assets of the Company with 25% margin over the facility amount and personal guarantees of all sponsoring directors of the Company.

PLHC, vide its letter Ref. # PLHC-CIBD/SBP Reg.Relief-01/005-2020 dated May 11, 2020, has agreed with the Company's request and deferred the outstanding principal repayment for a period of two years. As per the revised terms, the outstanding principal balance as at June 30, 2020 is repayable in 7 equal half-yearly instalments commencing June, 2021.

20.9 These finances have been obtained during the current financial year to reduce the funding gap from usage of short term debt for repayment of long term liabilities and to free-up existing usage of short term working capital lines. These carry mark-up at the rate of 6-months KIBOR + 2%; the effective mark-up rates during the year ranged from 13.25% to 15.90% per annum. These finances are repayable in 10 equal half-yearly instalments commencing September, 2021 and are secured against first pari passu charge over present and future fixed assets of the Company with 25% margin amounting to Rs.267 million and personal guarantees of sponsoring directors of the Company.

20.10 These finances have been obtained during the financial year ended June 30, 2015 to finance expansion / BMR done through the Company's own sources. These carry mark-up at the rate of 6-months KIBOR + 1.50%; the effective mark-up rates during the year ranged from 14.61% to 14.99% (2019: 8.54% to 12.30%) per annum. These finances are repayable in 10 equal half-yearly instalments commenced from December, 2015 and are secured against first pari passu charge of Rs.400 million over all present and future fixed assets of the Company by way of equitable mortgage of freehold land and buildings and hypothecation of plant & machinery and personal guarantees of the directors of the Company.

UBL, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed deferment of one year. Accordingly, the outstanding balance as at June 30, 2020 is repayable on June 30, 2021.

20.11 These finances have been obtained during the financial year ended June 30, 2017 to finance BMR / retirement of letters of credit established for import of air jet looms, fired generator and compressor along with allied parts. These finances carry mark-up at the rate of 6-months KIBOR + 1.50%; the effective mark-up rates during the year ranged from 5.00% to 14.99% (2019: 5.00% to 12.76%) per annum. These finances are repayable in 16 equal half-yearly instalments commenced from October, 2019 and are secured against first pari passu charge on fixed assets (freehold land, buildings and plant & machinery) of the Company with 25% margin and personal guarantees of three directors of the Company.

During the current year, an amount of Rs.41.474 million (2019: Rs.22.994 million) out of total finances of Rs.500.404 million from UBL was approved and refinanced by SBP under LTFF scheme against imported textile machinery eligible under the said scheme. This LTFF is repayable within the same period as stated in the preceding paragraph. Mark-up under SBP's LTFF scheme is chargeable at the rate of 5% per annum. These finances are secured against the securities as stated in the preceding paragraph.

UBL, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed deferment of one year for instalments aggregating Rs.16.582 million.

20.12 These finances have been obtained during the financial year ended June 30, 2017 to facilitate the Company with Diminishing Musharaka (sale and buy back) of machinery (warping machines, sizing machines, air jet weaving looms and power house). These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 9.39% to 14.78% (2019: 7.76% to 13.32%) per annum. These finances are repayable in 8 equal half-yearly instalments commenced from November, 2018 and are secured against first pari passu hypothecation charge of Rs.266.670 million over all present and future fixed assets duly registered with SECP with 25% margin.

Askari, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed deferment; accordingly, the outstanding balance as at June 30, 2020 is repayable in 5 equal half-yearly instalments commencing November, 2021.

20.13 These finances have been obtained during the preceding financial year to facilitate the Company with Diminishing Musharaka (sale and buy back) of machinery (warping machines, sizing machines, air jet weaving looms and power house). These carry mark-up at the rate of 6-months KIBOR + 1.25%; the effective mark-up rates during the year ranged from 8.94% to 14.72% (2019: 11.97% to 14.34%) per annum. These finances are repayable in 8 equal half-yearly instalments and are secured against first pari passu hypothecation charge of Rs.200 million over all present and future fixed assets duly registered with SECP with 25% margin.

Askari, during the year in line with SBP's BPRD Circular No. 13 of 2020, has allowed deferment; accordingly, the outstanding balance as at June 30, 2020 is repayable in 8 equal half-yearly instalments commencing December, 2021.

20.14 These finances have been obtained during the current year under Islamic Refinance Scheme against a facility amount of Rs.206.500 million for payment of salaries and wages to workers and employees of the Company to dampen the effect of COVID-19. The finance facility carries profit at SBP rate + 3%; the effective mark-up rate during the year was 3% per annum. This finance facility is repayable in 8 equal quarterly instalments commencing January, 2021 and is secured against first pari passu hypothecation charge of Rs.275.330 million over present and future fixed assets of the Company duly registered with SECP.

20.15 These finances have been obtained during the current financial year to facilitate the Company to pay off long term conventional bank loans; the DM assets are 40 sets Japan air jet looms along with 2 gas fired generators. These carry mark-up at the rate of 3-months KIBOR + 1.50% payable on quarterly basis; the effective mark-up rates during the year ranged from 12.72% to 15.00% per annum. These finances are repayable in 16 equal quarterly instalments commencing April, 2022 and are secured against ranking charge created over fixed assets (land, buildings and plant & machinery) of the Company for to Rs.334 million.

20.16 These finances have been obtained during the current year for CAPEX against a finance facility of Rs.100 million and carry mark-up at the rate of 3-months KIBOR + 1.50%; the effective mark-up rate during the year was 9.65% per annum. These finances are repayable in 20 equal quarterly instalments commencing June, 2022 and are secured against first pari passu charge over present and future fixed assets of the Company with 25% margin and personal guarantees of sponsoring directors of the Company.

20.17 These finances have been obtained during the current year to meet medium term financing requirements of the Company and carry profit at the rate of 7.96% per annum. These finances are repayable through a bullet payment during June, 2022 and are secured against ranking charge on plant and machinery of the Company with 25% margin.

21. LEASE LIABILITIES

Particulars	2020				2019		
	Upto one year	From one to five year	Over five year	Total	Upto one year	From one to five year	Total
	(Rupees)						
Minimum lease payments	18,971,995	35,416,857	56,776,672	111,165,524	14,785,193	12,562,056	27,347,249
Less: finance cost allocated to future periods	5,981,262	14,237,402	17,419,047	37,637,711	2,366,436	803,533	3,169,969
	12,990,733	21,179,455	39,357,625	73,527,813	12,418,757	11,758,523	24,177,280
Less: security deposits adjustable on expiry of lease terms	1,703,500	2,308,075	–	4,011,575	–	2,929,700	2,929,700
Present value of minimum lease payments	11,287,233	18,871,380	39,357,625	69,516,238	12,418,757	8,828,823	21,247,580

21.1 The Company has entered into lease agreements with Meezan Bank Ltd. and First Habib Modaraba for lease of vehicles. The liabilities under the lease agreements are payable in monthly instalments by March 16, 2023. The minimum lease payments have been discounted at implicit interest rates ranging from 3-months KIBOR + 1.25% to 6-months KIBOR + 1.50% (2019: 3-months KIBOR + 1.25% to 6-months KIBOR + 1.50%) to arrive at their present value; the effective interest rates during the year ranged from 8.51% to 15.00% (2019: 8.54% to 12.40%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. These lease finance facilities are secured against title of the leased vehicles in the name of lessors and demand promissory notes.

21.2 Lease liabilities include lease contract of head office building having lease term of twelve years. These have been discounted using incremental borrowing rate of 9.42% per annum.

	Note	2020 (Rupees)
Balance at beginning of the year		–
Impact of initial application of IFRS 16		56,901,824
Interest expense for the year		4,918,694
Adjusted / paid during the year		(6,298,779)
Accrued mark-up		(4,039,209)
	21.3	51,482,530
Current portion grouped under current liabilities		(394,626)
Balance at end of the year		51,087,904

21.3 The future minimum lease payments in respect of head office building to which the Company is committed under the lease agreement will be due as follows:

Particulars	Upto one year	From one to five years	Over five years	Total
	(Rupees)			
Minimum lease payments	5,212,953	25,543,471	56,776,672	87,533,096
Finance cost allocated to future periods	(4,818,327)	(13,813,192)	(17,419,047)	(36,050,566)
Present value of minimum lease payments	394,626	11,730,279	39,357,625	51,482,530

22. STAFF RETIREMENT BENEFITS - Gratuity

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

	2020	2019
Significant actuarial assumptions		
- discount rate	8.50%	14.25%
- expected rate of growth		
per annum in future salaries	7.50%	13.25%
- mortality rates	SLIC	SLIC
	2001-2005	2001-2005
	Setback 1 year	
- withdrawal rates	Age-based	Age-based
- retirement assumption	Age 60	Age 60

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

	2020	2019
	(Rupees)	
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	241,278,990	267,704,556
Current service cost	68,116,385	59,888,359
Interest cost	31,609,611	22,866,402
Benefits paid	(38,914,313)	(27,266,847)
Remeasurements - experience adjustments and actuarial valuation gain from changes in financial assumptions	(43,659,145)	(81,913,480)
Closing balance	258,431,528	241,278,990
Expense recognised in statement of profit or loss		
Current service cost	68,116,385	59,888,359
Interest cost	31,609,611	22,866,402
	99,725,996	82,754,761
Charge for the year has been allocated to:		
- cost of sales	92,398,951	72,993,071
- administrative expenses	7,327,045	9,761,690
	99,725,996	82,754,761
Remeasurement recognised in other comprehensive income		
Remeasurements - experience adjustments and actuarial valuation gain from changes in financial assumptions	(43,659,145)	(81,913,480)

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

	2020	2019	2018	2017	2016
			(Rupees)		
Present value of defined benefit obligation	258,431,528	241,278,990	267,704,556	184,910,887	154,870,599
Experience adjustments on obligation	(43,659,145)	(81,913,480)	42,231,656	(586,950)	(44,151,953)

Year-end sensitivity analysis:	Impact on defined benefit obligation		
	Change in assumption	Increase	Decrease
		(Rupees)	
Discount rate	1%	239,609,823	280,340,956
Salary growth rate	1%	280,340,956	239,282,297

22.1 The average duration of the defined benefit obligation as at June 30, 2020 is 8 years.

22.2 The expected contribution to defined benefit obligation for the year ending June 30, 2021 is Rs.89.021 million.

23. GOVERNMENT GRANT

In response to COVID-19, the State Bank of Pakistan (SBP) through Circular No. 6 of 2020, has introduced a temporary Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. The Refinance Scheme is being managed through Participating Financial Institutions (PFIs) and funded by SBP. Borrowers can obtain loans from PFIs and ease their cash flows constraints and thereby avoid layoffs. The benefit of a government loan at a below-market rate of interest has been treated as a government grant. The loan has been measured in accordance with IFRS 9 (Financial Instruments). The benefit of the below market rate of interest has been measured as the difference between the initial carrying value of loan determined in accordance with IFRS 9 and the proceeds received. The benefit has been accounted for and presented as deferred grant in accordance with IAS 20. The deferred grant has been amortised at average borrowing cost rate of the Company, i.e. 9.42% per annum; an amount of Rs.690 thousand has been recognised in current year's statement of profit or loss in this regard.

	Note	2020	2019
		(Rupees)	
24. TRADE AND OTHER PAYABLES			
Trade creditors		963,122,767	1,286,044,170
Bills payable	24.1	38,748,973	34,996,958
Due to Associated Companies	24.2	175,473,509	42,368,771
Accrued expenses		455,454,586	590,047,198
Tax deducted at source		39,689,021	24,173,977
Workers' (profit) participation fund	24.3	12,031,986	35,072,738
		1,684,520,842	2,012,703,812

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

	2020	2019
	(Rupees)	
24.2 This represents amounts due to the following Associated Companies:		
- Fatima Fertilizer Company Ltd.	34,010,996	34,101,996
- Fatima Sugar Mills Ltd.	129,175,998	–
- Pak Arab Fertilizers Ltd.	8,425,515	8,018,851
- Fazal Cloth Mills Ltd.	3,861,000	247,924
	175,473,509	42,368,771
24.3 Workers' (profit) participation fund (the Fund)		
Opening balance	35,072,738	23,607,696
Add: interest on funds utilised in the Company's business	4,262,779	1,659,007
	39,335,517	25,266,703
Less: paid to workers	35,071,596	23,551,643
Less: deposited in Government treasury	1,142	56,053
	4,262,779	1,659,007
Add: allocation for the year	7,769,207	33,413,731
Closing balance	12,031,986	35,072,738

25. ACCRUED MARK-UP

	2020	2019
Mark-up accrued on:		
- long term finances	66,676,008	49,038,121
- lease liabilities	4,044,791	9,303
- advance received from Fatima Sugar Mills Ltd. (an Associated Company)	29,316,036	18,889,882
- short term borrowings	166,237,118	241,425,941
	266,273,953	309,363,247

	Note	2020	2019
		(Rupees)	

26. SHORT TERM BORROWINGS

	Note	2020	2019
Short term finances - secured	26.1	4,144,245,426	7,426,060,910
Export finances- secured	26.2	2,429,589,920	356,606,406
		6,573,835,346	7,782,667,316
Temporary bank overdrafts - unsecured	26.4	84,235,095	33,349,140
		6,658,070,441	7,816,016,456

26.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.10,781 million (2019: Rs.9,590 million) and carry mark-up at the rates ranging from 6.51% to 17.16% (2019: 6.81% to 14.55%) on the outstanding balances. These facilities are expiring on various dates by April 30, 2021.

26.2 Export finance facilities available from commercial banks aggregate Rs.2,865 million (2019: Rs.2,165 million). Out of total facilities, the amount utilised aggregate Rs.2,429.590 million (2019: Rs.356.606 million). The rates of mark-up range from 2.07% to 13.32% (2019: 2.93% to 13.62%) on the outstanding balances. These facilities are expiring on various dates by April 30, 2021.

26.3 Out of the aggregate facilities of Rs.3,115 million (2019: Rs.2,384 million) for opening letters of credit and Rs.2,365 million (2019: Rs.1,175 million) for guarantees, which are the sub-limits of finance facilities mentioned in note 26.1, the amounts utilised as at June 30, 2020 were Rs.189.446 million (2019: Rs.228.709 million) and Rs.78.160 million (2019: Rs.78.159 million) respectively. These facilities are expiring on various dates by April 30, 2021.

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

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

	Note	2020	2019
		(Rupees)	
27. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	20	125,744,609	517,060,287
Lease liabilities	21	11,287,233	12,418,757
Government grant		6,369,128	–
		143,400,970	529,479,044
28. TAXATION - Net			
Opening balance		157,659,604	135,429,016
Add: provision made during the year:			
current [net of tax credit under section 65B of the Income Tax Ordinance, 2001 amounting Rs. Nil (2019: Rs.39.996 million)]	28.2	197,612,313	157,659,604
prior years - net		(40,335,404)	(10,923,236)
		157,276,909	146,736,368
		314,936,513	282,165,384
Less: payments / adjustments made during the year against completed assessments		117,324,200	124,505,780
Closing balance		197,612,313	157,659,604

28.1 Returns filed by the Company upto the tax year 2019 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

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

29. CONTINGENCIES AND COMMITMENTS

29.1 Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.176.377 million as at June 30, 2020 (2019: Rs.153.133 million) and are secured against the securities mentioned in note 26.5.

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

29.3 The Company has filed a case before the Sindh High Court (SHC) against imposition of infrastructure cess levied by the Excise and Taxation Department, Karachi (the Department) under section 9 of the Sindh Finance Act, 1994 on imports made. As per the judgment of SHC, 50% of the demand would be paid by the Company while for the remaining 50%, guarantees would be issued in favour of the Department. As per the aforesaid judgment, the Company is paying the said 50% of demand on every import made and has arranged bank guarantees from Meezan Bank Ltd., Habib Bank Ltd., National Bank of Pakistan, Bank Alfalah Ltd. and Bank Al Habib Ltd. favouring the Department for Rs.17.486 million (2019: Rs.17.486 million), Rs.10 million (2019: Rs.15 million), Rs.3.743 million (2019: Rs.3.743 million), Rs.40 million (2019: Rs.40 million) and Rs.20 million (2019: Nil) respectively. The Company has challenged the said judgment before the Supreme Court of Pakistan and the legal advisors are confident that ultimately the judgment will be in favour of the Company and accordingly no provision needs to be made in the financial statements for the year ended June 30, 2020.

29.4 Foreign bills discounted outstanding as at June 30, 2020 aggregated 1,078.650 million (2019: Rs.208.136 million).

	Note	2020	2019
		(Rupees)	
29.5 Commitments for irrevocable letters of credit:			
- capital expenditure		575,633,539	33,002,116
- others		690,684,814	9,508,062
		1,266,318,353	42,510,178

30. SALES - Net

	Note	2020	2019
Export	30.1	13,577,009,211	6,012,063,418
Local	30.2	4,920,048,963	10,548,974,814
Waste		299,472,134	208,497,561
		18,796,530,308	16,769,535,793
Less: Commission		189,223,848	161,458,008
		18,607,306,460	16,608,077,785
Add: Weaving, doubling and sizing income		2,211,500	–
Export duty drawback		31,445,496	–
		33,656,996	–
Less: Sales tax		1,365,797,934	2,918,496
		17,275,165,522	16,605,159,289

30.1 Export sales include indirect export of fabric and yarn aggregating Rs.4.625 billion (2019 : Rs. Nil).

30.2 Local sales for the year include polyester and viscose sales aggregating Rs.256.270 million (2019: Rs.125.755 million).

	Note	2020	2019
		(Rupees)	
31. COST OF SALES			
Raw materials consumed	31.1	13,530,860,935	12,514,036,526
Stores and spares		412,142,833	340,662,452
Packing materials consumed		120,012,221	102,350,752
Salaries, wages and benefits	31.2	1,039,466,570	899,571,987
Power and fuel	31.3	1,064,848,574	1,318,190,841
Repairs and maintenance		39,617,621	40,287,465
Depreciation	5.4	257,757,507	238,741,122
Insurance		34,687,382	33,294,838
Utilities		334,761	450,397
Others		69,215,966	62,111,006
		16,568,944,370	15,549,697,386
Adjustment of work-in-process			
Opening		280,285,921	248,384,218
Closing	10	(249,013,073)	(280,285,921)
		31,272,848	(31,901,703)
Cost of goods manufactured		16,600,217,218	15,517,795,683
Adjustment of finished goods			
Opening stock		1,582,999,158	887,857,766
Closing stock	10	(2,968,850,851)	(1,582,999,158)
		(1,385,851,693)	(695,141,392)
		15,214,365,525	14,822,654,291

31.1 Raw materials consumed

	Note	2020	2019
Opening stock		4,081,656,896	2,085,889,117
Purchases and purchase expenses		10,893,504,323	14,502,578,279
		14,975,161,219	16,588,467,396
Less: closing stock	10	(1,451,253,702)	(4,081,656,896)
		13,523,907,517	12,506,810,500
Cotton cess		6,953,418	7,226,026
	(a)	13,530,860,935	12,514,036,526

(a) Raw materials consumed include Rs.267.396 million (2019: Rs.123.530 million) relating to the cost of yarn, polyester and viscose sold during the year.

31.2 Salaries, wages and benefits include Rs.92,398,951 (2019: Rs.72,993,071) in respect of staff retirement benefits - gratuity.

31.3 In the light of Supreme Court of Pakistan judgment dated August 13, 2020, the Company as at June 30, 2020 has written-back Late Payment Surcharge portion of Gas Infrastructure Development Cess levy aggregating Rs.249 million. This write-back has been adjusted against power and fuel cost.

	Note	2020	2019
		(Rupees)	
32. DISTRIBUTION AND MARKETING EXPENSES			
Ocean freight and shipping		76,461,244	51,194,587
Local freight		53,940,921	40,369,715
Export development surcharge		23,917,403	15,420,236
Forwarding and clearing expenses		61,654,654	33,576,837
Marketing expenses		13,969,635	13,354,991
Other expenses		3,609,079	2,037,603
		233,552,936	155,953,969
33. ADMINISTRATIVE EXPENSES			
Salaries and benefits	33.1	109,595,571	105,164,126
Travelling and conveyance		15,100,352	17,492,000
Rent, rates and taxes		704,673	5,162,837
Entertainment		2,186,516	1,749,260
Utilities		2,424,106	2,286,562
Communication		4,358,007	3,925,930
Printing and stationery		3,675,118	2,321,680
Insurance		2,656,481	2,532,390
Repairs and maintenance		5,619,474	8,914,802
Vehicles' running and maintenance		11,483,535	9,687,885
Fees, subscription and periodicals		6,063,611	5,225,906
Advertisement		339,580	393,565
Auditors' remuneration:			
- statutory audit fee		1,391,500	1,200,000
- half yearly review		272,250	247,500
- certification charges		82,500	35,000
- short provision for the preceding year		38,500	215,000
- out-of-pocket expenses		48,000	45,000
		1,832,750	1,742,500
Legal and professional charges (other than Auditors)		1,666,720	1,467,038
Depreciation on operating fixed assets	5.4	11,030,981	16,374,874
Depreciation on right of use assets	5.6	11,950,176	–
Amortisation	6	946,230	946,230
General		3,932,130	3,252,751
		195,566,011	188,640,336

33.1 Expense for the year includes staff retirement benefits - gratuity amounting Rs.7,327,045 (2019: Rs.9,761,690).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		(Rupees)	
34. OTHER INCOME			
Income from financial assets			
Dividend	34.1	5,250,330	4,594,041
Mark-up on advances to Associated Companies	34.2	36,667,030	8,776,655
Payable balances written-back		247,924	3,192,363
Exchange fluctuation gain - net		–	307,031,097
Profit on sales tax refund bonds		–	33,620
Fair value gain arisen upon discontinuation of investments from equity method of accounting	7	53,972,799	–
Realised gain on forward foreign exchange contracts - net		31,720,180	–
Income from non-financial assets			
Gain on disposal of operating fixed assets - net	5.8	1,337,664	55,712
Others		93,836	81,138
		129,289,763	323,764,626

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

34.2 This represents mark-up amounting Rs.33,910,642 (2019: Rs.6,745,273) on advance given to Fatima Energy Ltd., Rs.155,729 (2019: Rs.150,388) and Rs.2,600,659 (2019: Rs.1,880,994) on short term loan given to Reliance Commodities (Pvt.) Ltd. and advance given to Fatima Transmission Company Ltd. respectively.

	Note	2020	2019
		(Rupees)	
35. OTHER EXPENSES			
Donations	35.1	33,070,550	28,640,470
Exchange fluctuation loss - net		314,103,633	–
Receivable balances written-off		–	2,514,821
Workers' (profit) participation fund	24.3	7,769,207	33,413,731
Provision for impairment of trade debts	11.1	134,566	3,548,165
		355,077,956	68,117,187

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

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

The Company, during the year, has donated Rs.30 million (2019: Rs.25.700 million) to this Trust.

	Note	2020	2019
		(Rupees)	

36. FINANCE COST

	Note	2020	2019
Mark-up on:			
- long term finances		241,464,644	181,563,590
- lease liabilities		8,594,808	2,504,878
- short term borrowings		816,640,628	742,421,666
- short term loans from Associated Companies		10,426,154	3,731,999
Interest on workers' (profit) participation fund	24.3	4,262,779	1,659,007
Bank charges and commission		85,226,274	59,582,764
		1,166,615,287	991,463,904

37. TAXATION

	Note	2020	2019
Current			
- for the year	28	197,612,313	157,659,604
- prior year	28	(40,335,404)	(10,923,236)
Deferred		(70,932,026)	(18,228,377)
		86,344,883	128,507,991

38. EARNINGS PER SHARE

There is no dilutive effect on earnings per share of the Company, which is based on:

	2020	2019
Profit after taxation attributable to ordinary shareholders	61,270,023	502,804,757
	(No. of shares)	
Weighted average number of ordinary shares in issue during the year	30,810,937	30,810,937
	(Rupee)	
Earnings per share - basic	1.99	16.32

39. SEGMENT INFORMATION

39.1 Reportable segments

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

The Company's reportable segments are as follows:

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

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

Information regarding the Company's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

39.2 Information about reportable segments

	Spinning		Weaving		Total	
	2020	2019	2020	2019	2020	2019
	(Rupees)					
External revenue	6,214,298,995	6,115,637,822	11,060,866,527	10,489,521,467	17,275,165,522	16,605,159,289
Inter-segment revenue	3,398,856,181	3,326,875,765	–	–	3,398,856,181	3,326,875,765
Cost of sales	(8,861,496,075)	(8,591,507,296)	(6,352,869,450)	(6,231,146,995)	(15,214,365,525)	(14,822,654,291)
Inter-segment cost of sales	–	–	(3,398,856,181)	(3,326,875,765)	(3,398,856,181)	(3,326,875,765)
Distribution and marketing expenses	(38,628,569)	(34,879,375)	(194,924,367)	(121,074,594)	(233,552,936)	(155,953,969)
Administrative expenses	(98,969,488)	(86,325,919)	(96,596,523)	(102,314,417)	(195,566,011)	(188,640,336)
Other income	45,470,863	67,416,623	83,818,900	256,348,003	129,289,763	323,764,626
Other expenses	(14,217,812)	(32,713,987)	(340,860,144)	(35,403,200)	(355,077,956)	(68,117,187)
Finance cost	(624,834,244)	(517,655,824)	(541,781,043)	(473,808,080)	(1,166,615,287)	(991,463,904)
Profit before taxation and share of loss of Associates	20,479,851	246,847,809	218,797,719	455,246,419	239,277,570	702,094,228

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

	2020	2019
	(Rupees)	
39.4 Reconciliation of reportable segment revenues and profit		
Total revenue from reportable segments	20,674,021,703	19,932,035,054
Elimination of inter-segment revenue	(3,398,856,181)	(3,326,875,765)
Sales - net	17,275,165,522	16,605,159,289
Total profit of reportable segments	239,277,570	702,094,228
Share of loss from Associated Companies	(91,662,664)	(70,781,480)
Tax for the year	(86,344,883)	(128,507,991)
Consolidated profit	61,270,023	502,804,757

39.5 Segment assets and liabilities

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

	Spinning	Weaving (Rupees)	Total
For the year ended June 30, 2020			
Segment assets for reportable segment			
- Operating fixed assets	3,627,750,663	2,610,554,386	6,238,305,049
- Stores, spares and loose tools	146,379,501	122,119,263	268,498,764
- Stock-in-trade	2,226,123,669	2,442,993,957	4,669,117,626
	6,000,253,833	5,175,667,606	11,175,921,439
Unallocated corporate assets			4,645,350,853
Total assets as per statement of financial position			15,821,272,292
Segment liabilities for reportable segment	4,687,128,202	4,841,869,016	9,528,997,218
Unallocated corporate liabilities			2,415,361,705
Total liabilities as per statement of financial position			11,944,358,923

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

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

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

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

		2020	2019
		(Rupees)	
39.7	**Gross revenue from major products and services**		
	Fabric export sales	9,654,469,179	5,096,367,123
	Yarn export sales	3,922,540,030	915,696,295
	Fabric local sales	2,088,987,761	5,506,233,277
	Yarn local sales	2,574,791,299	4,916,936,213
	Cotton and polyester local sales	256,269,905	125,754,705
	Waste local sales	299,472,134	208,548,180
		18,796,530,308	16,769,535,793
39.8	**Gross revenue from major customers of segment**		
	Spinning	2,760,906,162	2,440,530,483
	Weaving	4,891,341,556	4,957,609,287
		7,652,247,718	7,398,139,770

39.9 Geographical information

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

	2020	2019
	(Rupees)	
Pakistan	9,844,716,668	10,757,472,375
Asia	5,078,986,166	3,703,071,413
Europe	2,899,527,898	2,080,899,049
Africa	646,503,140	228,092,956
USA	326,796,436	–
	18,796,530,308	16,769,535,793

39.10 All non-current assets of the Company as at June 30, 2020 are located and operating in Pakistan.

		Spinning	Weaving	Total
			(Rupees)	
39.11	**Other segment information**			
	For the year ended June 30, 2020			
	Capital expenditure	245,233,670	146,513,223	391,746,893
	Depreciation			
	Cost of sales	146,049,911	111,707,596	257,757,507
	Administrative expenses	9,680,047	13,301,110	22,981,157
		155,729,958	125,008,706	280,738,664

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

	2020 (Rupees)	2019
40. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	147,614,906	631,312,748
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	268,788,488	255,115,996
Depreciation on right of use assets	11,950,176	–
Gain on disposal of fixed assets - net	(1,337,664)	(55,712)
Amortisation	946,230	946,230
Provision for impairment of trade debts	134,566	3,548,165
Staff retirement benefits - gratuity	99,725,996	82,754,761
Share of loss from Associates	91,662,664	70,781,480
Fair value gain upon transfer of investments (note 7.2)	(53,972,799)	–
Interest on workers' (profit) participation fund	4,262,779	1,659,007
Provision for workers' (profit) participation fund	7,769,207	33,413,731
Receivable balances written-off	–	2,514,821
Payable balances written-back	(247,924)	(3,192,363)
Finance cost	1,162,352,508	989,804,897
	1,739,649,133	2,068,603,761
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(63,642,269)	15,867,763
Stock-in-trade	1,275,824,349	(2,722,810,874)
Trade debts	454,157,326	(278,998,783)
Loans and advances	(572,932,353)	(138,089,327)
Prepayments and other receivables	(40,466,497)	(10,775,405)
Sales tax refund bonds and accrued profit	40,933,620	(40,933,620)
Tax refunds due from the Government (excluding income tax)	33,988,497	153,517,113
(Decrease) / increase in trade and other payables	(304,894,294)	681,816,767
	822,968,379	(2,340,406,366)
Cash generated from / (used in) operations	2,562,617,512	(271,802,605)

	2020	2019
	(Rupees)	
41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
Financial assets		
At fair value through other comprehensive income		
Short term investments	782,191,687	137,331,496
At amortised cost		
Long term deposits	28,775,887	20,215,887
Trade debts	1,827,071,431	2,281,363,323
Loans and advances	972,819,393	401,624,954
Other receivables	75,490,537	34,360,722
Cash and bank balances	42,971,521	113,072,872
	2,947,128,769	2,850,637,758
Financial liabilities		
At amortised cost		
Long term finances	2,789,379,475	2,343,894,848
Government grant	12,031,065	–
Lease liabilities	69,516,238	21,247,580
Trade and other payables	1,632,799,835	1,953,457,097
Unclaimed dividends	8,523,068	17,336,166
Accrued mark-up	266,273,953	309,363,247
Short term borrowings	6,573,835,346	7,782,667,316
	11,352,358,980	12,427,966,254

41.1 Financial risk factors

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

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

41.2 Market risk

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

(a) Currency risk

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

	Rupess	U.S. $	Euro	JPY	CHF	AED
2020						
Trade debts	791,705,582	4,713,125	–	–	–	–
Bank balances	762,962	4,532	–	–	–	–
Short term export borrowings	(2,429,589,920)	(14,431,487)	–	–	–	–
Bills payable	(38,748,973)	(133,876)	(20,530)	–	(70,000)	–
Gross statement of financial position exposure	(1,675,870,349)	(9,847,706)	(20,530)	–	(70,000)	–
Outstanding letters of credit	(1,266,318,353)	(2,432,672)	(2,830,350)	(81,414,000)	(144,315)	(3,702,838)
Net exposure	(2,942,188,702)	(12,280,378)	(2,850,880)	(81,414,000)	(214,315)	(3,702,838)
2019						
Trade debts	1,220,860,589	7,496,045	–	–	–	–
Bank balances	38,151,176	234,247	–	–	–	–
Short term export borrowings	(356,606,406)	(2,184,529)	–	–	–	–
Bills payable	(34,996,958)	(214,387)	–	–	–	–
Gross statement of financial position exposure	867,408,401	5,331,376	–	–	–	–
Outstanding letters of credit	(42,510,178)	(158,215)	(21,246)	(2,347,500)	(54,847)	–
Net exposure	824,898,223	5,173,161	(21,246)	(2,347,500)	(54,847)	–

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2020	2019	2020	2019
U.S. $ to Rupee	165.79	142.16	168.35 / 167.98	162.8 / 163.2
Euro to Rupee	187.23	163.29	188.84 / 188.43	185.1 / 185.6
JPY to Rupee	1.539	1.303	1.562 / 1.559	1.512 / 1.516
CHF to Rupee	172.06	144.57	176.73 / 176.37	166.98 / 167.38
AED to Rupee	45.13	–	45.83 / 45.73	–

Sensitivity analysis

At June 30, 2020, if Rupee had strengthened by 10% against U.S. Dollar, Euro and CHF with all other variables held constant, profit for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

Effect on profit for the year:

	2020	2019
	(Rupees in thousand)	
U.S.$ to Rupee	165,786,132	(86,830,681)
Euro to Rupee	387,689	–
CHF to Rupee	1,237,110	–

(b) Interest rate risk

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

	2020	2019	2020	2019
	Effective mark -up rate		Carrying amount	
	%		(Rupees)	
Financial liabilities				
Fixed rate instruments				
Long term finances	3.00%,7.96%	–	216,982,311	–
Variable rate instruments				
Long term finances	3.50% to 16.06%	3.50% to 15.46%	2,443,295,969	2,343,894,848
Lease liabilities	8.51% to 15.00%	8.54% to 12.40%	69,516,238	21,247,580
Short term borrowings	6.51% to 17.16%	6.81% to 14.55%	4,144,245,426	7,426,060,910
Short term export finances	2.07% to 13.32%	2.93% to 13.62%	2,429,589,920	356,606,406

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2020, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs.92.157 million (2019: Rs.101.478 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

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

(c) Price risk

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

Sensitivity analysis

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

	2020	2019
	(Rupees)	
Effect on equity	7,017,072	11,585,180

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

41.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from trade debts, short term investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit and contracts. The management has set a maximum credit period of 30 (2019 : 15) days in respect of yarn and fabric parties to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high credit ratings.

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

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2020 along with comparative is tabulated below:

	2020	2019
	(Rupees)	
Long term deposits	28,775,887	20,215,887
Trade debts	1,827,071,431	2,281,363,323
Loans and advances	194,212,134	57,762,805
Other receivables	75,490,537	34,360,722
Short term investments	70,170,715	78,361,236
Bank balances	38,783,848	110,563,971
	2,234,504,552	2,582,627,944
Trade debts exposure by geographic region is as follows:		
Domestic	1,035,365,849	1,060,502,734
Export	791,705,582	1,220,860,589
	1,827,071,431	2,281,363,323

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

	2020	2019
	(Rupees)	
Fabric customers against:		
- export sales	791,705,582	1,220,860,589
- local sales	326,566,019	369,218,476
Yarn customers against local sales	708,799,830	691,284,258
	1,827,071,431	2,281,363,323

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

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

	2020	2019
	(Rupees)	
Neither past due nor impaired	788,022,870	1,220,860,589
Past due 0-30 days	682,726,740	854,970,335
Past due 31-150 days	344,476,634	201,196,035
Past due 151-360 days	2,777,221	341,875
Past due 360 days	9,067,966	3,994,489
	1,827,071,431	2,281,363,323

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

The Company always measures the provision for impairment of trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of Rs.134,566 (2019 : Rs.3,548,165) against all local trade debts.

Based on past experience, the Company's management believes that, except for ECL allowance, no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.1,539.175 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

Out of total trade debts, 43% (2019: 53%) comprise of foreign debtors that are secured against letters of credit and contracts. Local trade debts include customers with very good credit history and are regular in their payments. The management continuously monitors the repayment capacity and intention of their debtors and extends the credit periods to their customers according to their credit history.

Bank balances

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

	Rating		Rating Agency	2020	2019
	Short term	Long term		(Rupees)	
Bank Alfalah Ltd.	A-1+	AA+	JCR-VIS	782,040	33,236,615
The Bank of Khyber	A-1	A	JCR-VIS	1,248,141	10,312,330
Al-Baraka Bank (Pakistan) Ltd.	A-1	A+	JCR-VIS	302,096	344,362
Habib Bank Ltd.	A-1+	AAA	JCR-VIS	583,136	964,199
JS Bank Ltd.	A1+	AA-	PACRA	12,131,560	2,086,980
Meezan Bank Ltd.	A-1+	AA+	JCR-VIS	42,268	9,922,879
Standard Chartered Bank (Pakistan) Ltd.	A1+	AAA	PACRA	555	565
Askari Bank Ltd.	A1+	AA+	PACRA	3,455,355	12,258,059
Faysal Bank Ltd.	A1+	AA	PACRA	42,343	42,343
Dubai Islamic Bank Pakistan Ltd.	A-1+	AA	JCR-VIS	1,032,516	403,638
Summit Bank Ltd.	A-1	A-	JCR-VIS	166,125	578,260
BankIslami Pakistan Ltd.	A1	A+	PACRA	8,887,971	1,906,337
Bank Al Habib Ltd.	A1+	AA+	PACRA	5,016,391	11,013,424
Allied Bank Ltd.	A1+	AAA	PACRA	243,129	1,944
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	–	13,544,415
MCB Bank Ltd.	A1+	AAA	PACRA	443,235	423,110
National Bank of Pakistan	AAA	A-1+	JCR-VIS	385,251	7,487,589
Sindh Bank Ltd.	A-1	A+	JCR-VIS	60,028	60,063
United Bank Ltd.	A-1+	AAA	JCR-VIS	3,208,528	1,917,054
The Bank of Punjab	A1+	AA	PACRA	753,180	4,059,805
				38,783,848	110,563,971

41.4 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 Years and above
			(Rupees)		
2020					
Long term finances	2,789,379,475	3,418,350,849	165,529,224	2,137,591,901	1,115,229,724
Government grant	12,031,065	12,031,065	6,369,128	5,661,937	
Lease liabilities	69,516,238	107,153,949	17,268,495	33,108,782	56,776,672
Trade and other payables	1,632,799,835	1,632,799,835	1,632,799,835	–	–
Short term borrowings	6,573,835,346	6,766,651,813	6,766,651,813	–	–
Unclaimed dividends	8,523,068	8,523,068	8,523,068	–	–
Accrued mark-up	266,273,953	266,273,953	266,273,953	–	–
	11,352,358,980	12,211,784,532	8,863,415,516	2,176,362,620	1,172,006,396

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

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

41.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. At June 30, 2020, the carrying values of all financial assets and liabilities as disclosed in the statement of financial position approximate to their fair values.

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

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

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

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

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

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

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

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

	2020	**2019**
	(Rupees)	
Short term investments at fair value through other comprehensive income:		
- equity investment under level 1	70,170,715	78,361,236
- debt investment under level 2	–	37,490,560
- equity investment under level 3	690,541,272	–

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

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

42. CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the Company's business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders.

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

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

	2020	2019
	(Rupees)	
Total debt	9,528,997,219	10,181,158,884
Total equity and debt	13,405,910,588	14,071,743,289
Debt-to-equity ratio	71%	72%

43. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	Key management personnel	
	2020	2019
	(Rupees)	
Managerial remuneration	16,768,487	15,887,265
House rent allowance	3,353,697	2,875,523
Medical	1,676,849	1,437,762
Utilities and other allowances	3,227,934	1,258,041
Bonus	1,679,947	1,411,189
	26,706,914	22,869,780
Number of persons	8	8

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

43.2 Meeting fees of Rs.500 thousand (2019: Rs.390 thousand) were also paid to two (2019: two) non-executive directors during the year.

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

	Liabilities				
	Long term finances	Lease finances	Short term borrowings	Dividend	Total
	(Rupees)				
Balance as at June 30, 2018	1,860,140,047	23,165,184	6,080,169,606	16,215,618	7,979,690,455
Changes from financing activities					
Finances obtained	1,114,469,395	8,684,301	–	–	1,123,153,696
Finances repaid	(630,714,594)	(10,601,905)	–	–	(641,316,499)
Finances obtained - net of repayments	–	–	1,735,846,850	–	1,735,846,850
Dividend declared	–	–	–	69,324,608	69,324,608
Dividend paid	–	–	–	(68,204,060)	(68,204,060)
	483,754,801	(1,917,604)	1,735,846,850	1,120,548	2,218,804,595
Balance as at June 30, 2019	2,343,894,848	21,247,580	7,816,016,456	17,336,166	10,198,495,050
Changes from financing activities					
Finances obtained	822,824,980	–	–	–	822,824,980
Finances repaid	(377,340,353)	–	–	–	(377,340,353)
Finances obtained - net of repayments	–	48,268,658	(1,157,946,015)	–	(1,109,677,357)
Dividend declared	–	–	–	107,838,280	107,838,280
Dividend paid	–	–	–	(116,651,378)	(116,651,378)
	445,484,627	48,268,658	(1,157,946,015)	(8,813,098)	(673,005,828)
Balance as at June 30, 2020	2,789,379,475	69,516,238	6,658,070,441	8,523,068	9,525,489,222

45. TRANSACTIONS WITH RELATED PARTIES

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

Description of transaction	Nature of relationship	2020	2019
		(Rupees)	
Fazal Cloth Mills Ltd.	Associate		
Purchase of goods and services		14,261,680	27,985,300
Advances made		10,400,680	27,985,300
Fazal Weaving Mills Ltd.	Associate		
Purchase of goods and services		39,843,041	31,365,800
Advances made		39,843,041	31,365,800
Reliance Commodities (Pvt.) Ltd.	Associate		
Mark-up income		155,729	150,388
Advances made		–	16,800,000
Advances received		–	16,700,000
Expenses charged		15,144,979	418,005

Description of transaction	Nature of relationship	2020	2019
		(Rupees)	
Fatima Sugar Mills Ltd.	Associate		
Mark-up expense		10,426,154	3,731,999
Advances received		614,900,000	819,500,000
Advances repaid		446,233,678	943,500,000
Expenses charged by		2,259,562	2,286,443
Expenses charged to		2,451,907	24,661,309
Fatima Energy Ltd.	Associate (upto June 30, 2020)		
Mark-up income		33,910,643	6,745,277
Advances made		417,808,106	72,861,285
Expenses charged by		–	76,143
Funds paid		199,361,913	–
Purchases		195,804,590	–
Expenses charged to		11,000	–
Fatima Transmission Co. Ltd.	Associate		
Mark-up income		2,600,659	1,880,994
Expenses charged to		9,498,371	–
Mian Mukhtar A. Sheikh Trust, Multan	Associate		
Donations made		30,000,000	25,700,000
Fatima Fertilizer Company Ltd.	Related party *		
Dividend Income		5,250,332	4,594,041
Expenses charged by		–	3,554,078
Expenses charged to		91,000	62,380
Pakarab Fertilizer Ltd.	Related party *		
Purchase of services		536,890	668,426
Expenses charged to		130,226	–
Fatima Cement Ltd.	Related party *		
Expenses charged to		579,000	1,541,057
Funds received		579,000	1,761,122

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

* These are related parties due to common directorship.

	2020	2019
	(Rupees)	

46. CAPACITY AND PRODUCTION

	2020	2019
Unit 1 (Weaving)		
Number of looms installed	104	104
Capacity after conversion into 50 picks - Meters	21,520,630	21,520,630
Actual production of fabrics after conversion into 50 picks - Meters	19,461,183	20,393,981
Unit 2 (Weaving)		
Number of looms installed	204	204
Capacity after conversion into 50 picks - Meters	52,290,325	52,290,325
Actual production of fabrics after conversion into 50 picks - Meters	47,596,265	50,631,660
Unit 5 (Weaving)		
Number of looms installed	88	88
Capacity after conversion into 50 picks - Meters	23,949,844	17,884,017
Actual production of fabrics after conversion into 50 picks - Meters	21,977,101	17,204,710

Under utilisation of available weaving capacity was due to:

- Electricity shut downs
- Due to normal maintenance
- Effects of COVID-19
- Change of articles required
- Width loss due to specification of the cloth

	2020	2019
Unit 3 (Spinning)		
Number of spindles installed	17,760	17,760
Capacity after conversion into 20 count - Kgs	4,783,862	4,783,862
Actual production of yarn after conversion into 20 count - Kgs	3,885,480	4,422,249
Unit 4 (Spinning)		
Number of spindles installed	47,520	47,520
Capacity after conversion into 20 count - Kgs	14,677,912	16,433,195
Actual production of yarn after conversion into 20 count - Kgs	13,245,813	15,933,626

Under utilisation of available spinning capacity was due to:

- Electricity shut downs
- Processing mix of coarser and finer counts
- Effects of COVID-19

	2020	2019
	(Numbers)	

47. NUMBER OF EMPLOYEES

	2020	2019
Number of persons employed as at June 30,		
- permanent	2,255	2,273
- contractual	238	218
	2,493	2,491
Average number of employees during the year		
- permanent	2,243	2,175
- contractual	231	235
	2,474	2,410

48. IMPACT OF COVID-19 (CORONA VIRUS)

During March, 2020, Pakistan has enacted protection measures against COVID - 19 with a significant impact on daily life and supply chain. The evolution of COVID - 19 as well as its impact on Pakistan economy is very severe. The management has monitored the situation to ensure safety of its workers by introducing fool proof anti COVID - 19 measures and smooth operation of its business.

On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 26, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations with effect from April 03, 2020 its mills are located at Fazalpur Khanewal Road, Multan and April 07, 2020 Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. Management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, ‘Financial instruments’;
- the impairment of tangible and intangible assets under IAS 36, ‘Impairment of non-financial assets’;
- the net realisable value of inventory under IAS 2, ‘Inventories’;
- deferred taxation in accordance with IAS 12, ‘Income taxes’
- provisions and contingent liabilities under IAS 37 ; and
- going concern assumption used for the preparation of these financial statements.

According to management’s assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 29, 2020 by the board of directors of the Company.

50. FIGURES

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

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

OTHERS & LEGAL FORMS

INCOME TAX RETURN FILING STATUS

Confirmation for filing status of Income Tax return for application of revised rates pursuant to the provisions of Finance Act, 2020

The Company Secretary
Reliance Weaving Mills LTD
2nd Floor Trust Plaza LMQ Road
Multan.

Dear Sir,

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

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

It is stated that the above mentioned information is correct.

____
Signatures of Shareholder

Note:

- Shareholders are also requested to communicate aforesaid information to relevant members of Stock Exchange & CDC (in case of CDC Account holders).
- Please attach attested copy of CNIC and receipt of Income Tax return filed.

MANDATORY REQUIREMENT OF BANK ACCOUNT DETAILS FOR ELECTRONIC CREDIT

OF CASH DIVIDEND PAYMENT AS PER THE COMPANIES ACT, 2017

Dear Shareholder,

This is to inform you that in accordance with section 242 of the companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirements and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information to your respective CDC participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) OR to our SharesRegistrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main shahra-e-Faisal, Karachi – 74000 (in case your shareholding is in Physical Form):

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No.	
(Copy Attached)	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
Details of Bank Account	
Title of Bank Accoun	
International Bank Account Number (IBAN) “Mandatory”	PK ______________________________ (24digits) (kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank’s name	
Branch name and address	

It is stated that the above mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Shares Registrar accordingly.

____

Signature of shareholder

DIVIDEND MANDATE FORM

According to Section 242 of Companies Act 2017, any dividend payable in cash shall be paid through electronic mode directly into the bank account of shareholders. In order to process the dividend payment in electronic form issuers will be required to have bank details of each shareholder.

The Company may withhold the payment of dividend where the member has not provided the complete information (CNIC and etc.) Shareholders are requested to provide complete detail of their Bank Account along with IBAN in consultation with their banks in which dividend amount could be electronically transferred.

It is to be noted that the following information are must, when applying for e-Dividend;

1) IBAN Number;
2) Title of Bank Account;
3) Bank Account Number;
4) Bank Code and Branch Code;
5) Bank Name, Branch Name and Address;
6) Cell/Landline Number;
7) CNIC Number; and
8) Email Address.

E-VOTING

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

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

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

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

Signature of Member

Signed in the presence of:

--	---
Signature of Witness	Signature of Witness
Name: ______________________________	Name: ______________________________
CNIC/Passport No: _____________________	CNIC/Passport: ________________________
Address: ____________________________	Address: ____________________________

E-voting بمطابق E-voting ریگولیشنز

میں/ہم .... آف .... بحیثیت ممبر ریلائنس ویونگ ملز لمیٹڈ حامل ....

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

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

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

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

ممبر کے دستخط

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

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

No. of Shareholders	From		To	Shares Held
166	1	to	100	5,478
659	101	to	500	154,037
501	501	to	1000	441,892
199	1001	to	5000	484,999
55	5001	to	10000	438,849
23	10001	to	15000	293,427
12	15001	to	20000	217,686
3	20001	to	25000	72,750
4	25001	to	30000	112,010
1	35001	to	40000	39,000
3	40001	to	45000	132,000
1	45001	to	50000	48,000
3	50001	to	55000	162,182
3	60001	to	65000	186,000
2	65001	to	70000	137,500
1	90001	to	95000	90,310
3	95001	to	100000	296,983
1	100001	to	105000	103,891
2	110001	to	115000	225,125
4	115001	to	120000	473,157
1	140001	to	145000	140,625
1	150001	to	155000	153,393
1	220001	to	225000	225,000
1	225001	to	230000	225,950
1	235001	to	240000	237,000
1	255001	to	260000	258,000
3	280001	to	285000	845,705
1	360001	to	365000	365,000
1	590001	to	595000	592,645
1	7850001	to	7855000	7,854,550
1	7885001	to	7890000	7,886,071
1	7910001	to	7915000	7,911,722
1660				30,810,937

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020

Category - Wise

Categories of Shareholders	Number of shares	Percentage
Directors and their spouse(s) and minor children		
FAWAD AHMED MUKHTAR	7,854,550	25.49
FAZAL AHMED SHEIKH	7,925,722	25.73
FAISAL AHMED MUKHTAR	7,886,071	25.60
FAHD MUKHTAR	25,000	0.08
AMBREEN FAWAD	115,625	0.38
FATIMA FAZAL	140,625	0.46
FARAH FAISAL	112,500	0.37
MUHAMMAD SHAUKAT	3,455	0.01
MR. SHAHID AZIZ	5	0.00
	24,063,553	78.10
Associated companies, undertakings and related parties		
RELIANCE COMMODITIES (PVT) LTD	3	0.00
FATIMA MANAGEMENT COMPANY LIMITED	281,902	0.91
FATIMA TRADE COMPANY LIMITED	281,902	0.91
FATIMA TRADING COMPANY (PVT.) LIMITED	281,901	0.91
	845,708	2.74
Executives		
NIL	–	–
Public sector companies and corporations		
NATIONAL DEVELOPMENT FINANCE	984	0.00
INVESTMENT CORP. OF PAKISTAN	1,460	0.00
NATIONAL BANK OF PAKISTAN	276	0.00
NATIONAL BANK OF PAKISTAN	333	0.00
	3,053	0.01
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds		
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	54,182	0.18
Mutual Funds		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	592,645	1.92
Foreign Investor		
NIL	–	–
Others		

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020

M/S PYRAMID INVESTMENT(PVT)LTD	3,900	0.01
KARACHI,LAHORE STOCK EXCHANGES	2	0.00
SIDDIQ LEATHER WORKS (PVT) LTD	120,000	0.39
FANCY PETROLEUM SERVICES (PVT.) LIMITED	3,500	0.01
PRUDENTIAL SECURITIES LIMITED	400	0.00
Y.S. SECURITIES & SERVICES (PVT) LTD.	555	0.00
ABBASI & COMPANY (PRIVATE) LIMITED	15,000	0.05
PREMIER FASHIONS (PVT) LTD	119,000	0.39
FAZAL HOLDINGS (PVT.) LIMITED	24,250	0.08
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1,901	0.01
S.H. BUKHARI SECURITIES (PVT) LIMITED	150	0.00
PYRAMID INVESTMENTS (PVT) LTD.	2,850	0.01
BAWA SECURITIES (PVT) LTD.	2,175	0.01
AZEE SECURITIES (PRIVATE) LIMITED	500	0.00
GHULAMAN-E-ABBAS EDUCATIONAL AND MEDICAL TRUST	900	0.00
SAAO CAPITAL (PVT) LIMITED	8,000	0.03
MUHAMMAD AHMAD NADEEM SECURITIES (SMC-PVT.) LIMITED	13,000	0.04
HORIZON SECURITIES LIMITED	1,000	0.00
SEVEN STAR SECURITIES (PVT.) LTD.	5,500	0.02
FIKREES (PRIVATE) LIMITED	1,500	0.00
HIGH LAND SECURITIES (PVT) LIMITED	3,000	0.01
MRA SECURITIES LIMITED - MF	5,000	0.02
	332,083	1.08
Total	30,810,937	100.00

NOTES

AGM

on Wednesday, October 28th, 2020 at 03:30 pm

and / or any adjournment thereof.

FORM OF PROXY

30th Annual General Meeting

I/We ______________________________

of ______________________________

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

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

of ______________ or falling him / her ______________________________

of ______________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 30th Annual General Meeting of the Company to be held at Company's Registered Office, 2nd Floor Trust Plaza, LMQ Road, Multan, on Wednesday, October 28, 2020 at 03:30 p.m. and / or any adjournment thereof.

As witness my/our hand/seal this ______________ 2020.

Signed by ______________________________

in the presence of ______________________________

Signatures ______________

Name ______________

Address ______________

Signatures ______________

Name ______________

Address ______________

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

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

Notes:

1. Proxies, in order to be effective, must be received at the Company's Registered Office 2nd Floor, Trust Plaza, LMQ Road, Multan, not later than 48 hours before the time for the meeting and must be duly stamped, signed and witnessed.

2. Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his / her CNIC or Passport, to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or Passport, representatives of corporate members should bring the usual documents required for such purpose.

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

(i) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original CNIC or original Passport at the time of the meeting.

(iii) In case of a corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).

پراکسی فارم

ریلائنس ویونگ ملز لمیٹڈ

پراکسی فارم
30 واں سالانہ عمومی اجلاس

میں / ہم --

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

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

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

ساکن -- کو اپنے/ہمارے ایماء پر کمپنی کے مورخہ 28 اکتوبر 2020

بروز بدھ 03:30 بجے کمپنی کے رجسٹرڈ آفس سیکنڈ فلور ٹرسٹ پلازہ ایل ایم کیو روڈ ملتان میں ہونے والے 30 واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

بطور گواہ آج ------------- بتاریخ ------------ اکتوبر 2020 -------------------------- کی موجودگی میں دستخط ہوئے۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے ریسدی ٹکٹ پر دستخط

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

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

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

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

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

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

Reliance Weaving
Mills Limited
A Fatima Group Company

2nd Floor Trust Plaza, LMQ Road, Multan

Ph: +92 61 450 9700. 450 9749

Fax: +92 61 458 4288, 451 1267

Email: waheed.mushtaq@fatima-group.com