Annual Report 2020

Chakwal Spinning Mills Limited

VISION

Our Vision is to provide quality yarn of clothing needs of the people.

OUR MISSION

Chakwal Spinning Mills Ltd. is a yarn manufacturing company committed to produce quality yarn for quality conscious valued customers. The company's mission is to become progressive and profitable by adopting best industry practices, latest technology and maintaining fair, friendly and creative work environment which shall lead to generate sufficient return for the investors.

CHAKWAL SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Kaleem	(Executive Director)
Khawaja Mohammad Jahangir	(Chief Executive Officer)
Khawaja Mohammad Tanveer	(Non-Executive Director)
Mr. Sheikh Maqbool Ahmed	(Independent Director)
Mr. Dasnish Tanveer	(Non-Executive Director)
Mst. Munaza Kaleem	(Non-Executive Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Jawed	(Member)
Mr. Dansih Tanveer	(Member)

HR & REMUNERATION COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Tanveer	(Member)
Mst. Munaza Kaleem	(Member)

COMPANY SECRETARY

Mr. Nadeem Anwar	(ACA)

CHIEF FINANCIAL OFFICER
Mr. Abdul Hye Khan Ghouri

BANKERS
Habib Metro Bank Limited
Allied Bank of Pakistan
MCB Bank Limited
The Bank of Punjab
Meezan Bank Limited

AUDITORS
Aslam Malik & Co.
Chartered Accountants
Suit # 18-19, 1st Floor,
Central Plaza, Civic Centre,
New Garden Town,
Lahore, Pakistan.

CORPORATE & REGISTERED OFFICE
7/1-E-3 Main Boulevard Gulberg III, Lahore
Tel : (042) 35717510
Fax : (042) 35755760
SHARE REGISTRARS
Corp link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 35839182
Fax : (042) 35869037

MILLS
49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 540083-4

CHAKWAL SPINNING MILLS LTD.

ISO 9001:2000 CERTIFIED

TÜV

7/1, E-3, Main Boulevard, Gulberg - III, Lahore, Pakistan.
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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of members of **CHAKWAL SPINNIING MILLS LIMITED** (the "Company") will be held at the Registered Office of the Company situated at 7/1 E-3, Main Boulevard, Gulberg III, Lahore on Friday, February 26, 2021 at 11:00 a.m. to transact the following business :-

ORDINARY BUSINESS:

1. To confirm the minutes of last AGM held on November 27, 2019
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2020, together with the reports of Directors and Auditor's report thereon.
3. To appoint auditors for the year ending June 30, 2021 and to fix their remuneration. The retiring auditors Aslam Malik & Company Chartered Accountants have shown their interest in their reappointment.
4. To transact any other business which may be brought forward with the permission of the Chair

Lahore:

NADEEM ANWAR
Company Secretary
February 04, 2021

NOTES:

1. The share transfer books for ordinary shares of the Company will be closed from 20-02-2021 to 26-02-2021 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore by the closure of business on 18-02-2021 will be in treated in time. The same or any change in address, if any, alongside valid copy of CNIC for filing annual return of Company be sent to our share registrar M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35839182.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card (CNIC) or Passport with the proxy form.

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3. The shareholders through CDC, who wish to attend the Annual General Meeting, are requested to please bring, original CNIC. CDC account holder will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

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

5. The financial statements for the year ended June 30, 2020 shall be uploaded on the Company's website www.chakwalspinningmills.com twenty one days prior to the date of holding of Annual General Meeting.

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

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

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

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

The Board of Directors (the Board) of Chakwal Spinning Mills Limited (CSML) has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the listed Companies (Code of Corporate Governance) regulations, 2017.

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

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced

by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of CSML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.

February 04, 2021

Mr. Khawaja Mohammad Jawed
Chairman

بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے مؤثر کردار پر چیئر مین کی جائزہ رپورٹ

چکوال سپننگ ملز لیمیٹڈ (CSML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندہی سے انجام دی ہیں اور کمپنی کے امور کو موثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے کمپنیز ایکٹ 2017 (سابقہ کمپنیز آرڈیننس 1984) اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 میں دیئے گئے اپنے اختیارات اور ذمہ داری کو بخوبی سرانجام دیا ہے۔

۔بورڈ نے اسٹریٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ اور مالیات ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

۔سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

۔بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور/ یا انٹرنل آڈٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

۔بورڈ نے مجلس نظماء کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نظماء کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوئی اور مجلس نظماء کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد وضوابط کے مطابق ہے۔

۔بورڈ نے چیف ایگزیکٹو سمیت دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، کمپنی سیکرٹری اور انٹرنل آڈٹ کے سربراہ کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔

۔بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ کے بارے میں لحمہ بہ لحمہ باخبر رکھا گیا ہے اور

۔بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد وضوابط کی روشنی میں دیئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتاؤ میں تمام قابل اطلاق قوانین اور قواعد وضوابط کی تعمیل کو ترجیح دی ہے۔

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلی درجے کی نگرانی مہیا کرنے بشمول اسٹریٹجک عمل: کلیدی کاروباری امور، سنگ میل کی تکمیل، عالمی معاشی ماحول اور مسابقتی سیاق وسباق جس میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے

محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جا سکتا ہے کہ CSML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جا سکتا ہے، بلکہ بورڈ اور اس کے ارکان کی راہنمائی اور نگرانی کے ذریعہ انتظامیہ ٹیم کی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھا جا سکتا ہے۔

تاریخ: 4 فروری 2021

لاہور

خواجہ محمد جاوید

چیئرمین

CHAKWAL SPINNING MILLS LTD.
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DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of Chakwal Spinning Mills Limited, we are pleased to submit annual report of your Company together with audited financial statements and auditors' report thereon for the year ended 30th June 2020.

Financial Performance:

The company during the period faced un-precedent difficult period as sales revenue crashed which affected the operating performance of the company. The textile was previously enjoying zero rates but during the year under review imposition of sales tax badly affected the smooth business opportunities. The company was mainly relying in the local market for sale of yarn which didn't support to absorb the burden of sales tax. High cost to do business also contributes to vulnerability of the company. The company could manage to continue operation but the covid -19 scenario added the measurability of the company. The company during the period incurred a net loss after tax for the year of Rs. 50.473 million as compares to loss of Rs. 53.531 million during the last year. However the company did not incur any cash loss since the loss incurred is approximately equal to depreciation cost for the year. Aftermath of covid-19 the cash flow of the company affected significantly and forced the company to closed the operation.

Financial Statements Audit

The auditors of the company have given adverse opinion on company's ability as going concern. The management has prepared accounts of the company on going concern as it is mitigating the uncertainties through its plans which are expected to be mature in future to have sustainable business operational activities.

Similarly, the auditors of the company have given modified opinion on certain other matters including verification of bank outstanding balance confirmation. The company has limitation in this respect as the company is in litigation with banks. However, the Company has accounted for all due liabilities of the Banks which correspond with the amount provided in the suits filed by the banks.

Similarly the management is also committed to address other matters giving rise to the modification of auditor opinion to get it rectified to the satisfaction of auditors.

Future Outlook:

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With the grace of Almighty Allah, despite all odd the textile industry which is back bone of the country's economy has again boomed. The management of the company is making all possible efforts to resume the operations and get the benefits of positive business environment prevailing in the industry. The management is very hopeful to get the momentum of sustainable operation in the coming days by putting all efforts and polling sources of the company.

Principal Activity

The principal activity of the Company is manufacturing and sale of yarn.

Principal Risks and Uncertainties

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

The Company's principal financial liabilities comprise long term finances, trade and other payables and short term borrowings. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables, cash and bank balances that arise directly from its operations.

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

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The Company has adequately disclosed all the litigation and their expected outcomes in the financial statements.

Corporate Social Responsibility

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistency endeavors to uplift communities that are influenced directly or indirectly by our business.

Environment, Health and Safety

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

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

Internal Financial Controls

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

Related Parties

All related party transactions during the financial year ended June 30, 2019 were reviewed by the Audit Committee and approved by the Board of Directors.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Listing Regulations have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the Report. However the auditors in its review report highlighted that the board has not set an effective internal audit function. Due to shut down of business operations the company has lay off its staff however it will establish internal audit function on resumption of its operation.

Corporate Governance & Financial Reporting Framework:

As required by the Code of Corporate Governance, Directors are pleased to report that:

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

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

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

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

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

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

vii) There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.

viii) We have been prepared and circulated a statement of ethics and business strategy among directors and employees.

ix) The Company has neither declared dividend nor issued bonus shares because of loss sustained by the Company for the year

x) Outstanding taxes and levis are given in the notes to the financial statements.

Shareholding Pattern

The share holding pattern as at June 30, 2020 for ordinary shares is annexed.

Appointment of Auditors

M/s. Aslam Malik & Co. Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as Auditors for the financial year 2020-2021. The Audit Committee has recommended for re-appointment of present Auditors.

Composition of Board

1. The total number of directors are 08 as per the following:

   a. Male : 07
   b. Female : 01

2. The composition of the board is as follows:

   a. Executive Directors : 01
   b. Other Non-Executive Directors : 05

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c. Independent Directors : 02

Name of Directors

i) Mr. Khawaja Mohammad Jawed (Chairman)
ii) Mr. Khawaja Mohammad Kaleem (Executive Director)
iii) Mr. Khawaja Mohammad Jahangir (Chief Executive Officer)
iv) Mr. Khawaja Mohammad Tanveer
v) Mr. Sheikh Maqbool Ahmed (Independent Director)
vi) Mr. Danish Tanveer
vii) Mst. Munaza Kaleem
viii) Mr. Mohammad Tariq Sufi (Independent Director)

First four directors are exempt from Director's Training Program, whereas other directors will duly comply with the requirement of Code of Corporate Governess with respect of Directors' Training Program.

Committees of the Board

The Board has made following sub-committees:

Audit Committee Meetings:

i. Mr. Mohammad Tariq Sufi - (Chairman)
ii. Mr. Khawaja Mohammad Jawed (Member)
iii. Mr. Danish Tanveer (Member)

HR and Remuneration Committee Meetings:

i. Mr. Mohammad Tariq Sufi (Chairman)
ii. Mr. Khawaja Mohammad Tanveer (Member)
iii. Ms. Munaza Kaleem (Member)

Significant Features of Directors' Remuneration

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

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Acknowledge

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

On behalf of the Board

February 04, 2021	Khawaja Mohammad Jahangir	Mr.Khawaja Mohammad Jawed
Lahore.	Chief Executive Officer	Chairman

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Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company : Chakwal Spinning Mills Limited
Year ending : June 30, 2020

Chakwal Spinning Mills Limited (the "Company") has complied with the requirement of the Regulations in the following manner:

1. The total number of directors are 08 as per the following:

   a. Male : 07
   b. Female : 01

2. The composition of the board is as follows:

   a. Executive Directors : 01
   b. Other Non-Executive Directors : 05
   c. Independent Directors : 02

Name	Category
Mr. Khawaja Mohammad Kaleem	Executive Director
Mr. Khawaja Mohammad Jawed	Non-Executive Director
Mr. Khawaja Mohammad Jahangir	Non-Executive Director
Mr. Khawaja Mohammad Tanveer	Non-Executive Director
Mr. Munaza Kaleem	Non-Executive Director
Mr. Danish Tanveer	Non-Executive Director
Mr. Sheikh Maqbool Ahmed	Independent Director
Mr. Mohammad Tariq Sufi	Independent Director

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

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

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the Act and these regulations.

7. The meetings of the board were presided over by the Chairman and, in her absence, by a director elected by the board for this purpose. The board complied with requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of the meeting of board.

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

9. The Executive Director is exempt from Director's Training Program, whereas remaining directors will duly comply with the requirement of Code of Corporate Governess with respect of Directors' Training Program.

10. No appointment of Company Secretary, Chief Financial Officer and Head of Internal Audit has been made during the year.

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

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

    I. Audit Committee:
        i. Mr. Mohammad Tariq Sufi – Chairman
        ii. Mr. Khawaja Mohammad Javed
        iii. Mr. Danish Tanveer

    II. HR and Remuneration Committee:
        i. Mr. Mohammad Tariq Sufi – Chairman
        ii. Mr. Khawaja Mohammad Tanveer
        iii. Ms. Munaza Kaleem

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

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14. The frequency of meetings of the aforesaid committees were as per following:
    a) Audit Committee: Four Quarterly meetings during the financial year ended June 30, 2020.
    b) HR & Remuneration Committee: One meeting during the financial year ended June 30, 2020.

15. Due to shut down of business operations, presently the board did not set up an effective internal since there was no staff for this purpose.

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

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

19. The directors shall comply with the provision of Code of Corporate Governess Rules, 2017 in respect of Director Training Program.

For **Chakwal Spinning Mills Limited**

Khawaja Mohammad Javed
Chairman

Lahore: January 07, 2020

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Aslam Malik & Co.
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of Chakwal Spinning Mills Limited

Report on the Audit of the Financial Statements

Adverse Opinion

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

in our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in the basis of adverse section of our audit report (a) to (f), the statement of financial position, statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

a) As fully explained in note 16 the company is in litigation with the banking companies. The company had not worked out and provided the amount of mark-up on the short term borrowings in these financial statements for the year ended June 30, 2020. Based on available underlying records, expired facility letter and non-confirmation of mark-up balances from banking companies, we were unable to determine with reasonable accuracy the impact on these financial statements of any disagreement with Banks.

   Moreover, due to litigation banks do not confirmed us the balances of short term borrowings (Note No.14) and the bank facility letter provided to us were also expired. Based on available underlying records, response from the legal counsel and non-confirmation of loan balances from banking companies, we were unable to determine with reasonable accuracy the impact on these financial statements of any disagreement.

b) Gratuity payable amounting to Rs. 6,382,803 stated in the (Note 11) to the financial statements. We had not been provided by the actuarial valuation by the management. Further we have not been provided with sufficient information and explanations to assess whether any actuarial adjustments in value should be recognised in respect of the above mentioned gratuity amount.

There are no other satisfactory audit procedures that we could adopt to determine whether any adjustments in value should be made in the financial statements in respect of gratuity. Any adjustments found to be necessary might have consequential effects on the net assets of the company as at June 30, 2020, the results of the company for the year then ended and the related disclosures thereof in the financial statements.

Furthermore the disclosure given by the management in the financial statements is not in accordance with the International Accounting Standard 19 and lead to departure from international financial reporting standards as applicable in Pakistan.

c) Unclaimed dividend of Rs. 384,347 (overdue) of previous years has not been deposited into the government treasury nor has any notification been issued to shareholders.

d) As set out in note 17 to the financial statements, the company holds property, plant and equipment with reported carrying value of **Rs. 801.787 million** which is substantial portion of the financial position. These assets are measured at cost less accumulated depreciation and impairment losses.

As disclosed in the accounting policies note 5.5, the company reviews the carrying amount of its property, plant and equipment at each reporting date to determine whether there is any indication that an asset is impaired. If any such indicators exist then, the asset's recoverable amount should be estimated by reference to forecast future cash flows and fair value less costs to sell. If the recoverable amount of the asset is less than its carrying value, the asset's carrying value should be reduced and an impairment expense recognised.

As per IFRSs as applicable in Pakistan, there is an indication of Impairment. Because the company has not determined the recoverable amount of the relevant assets, we are unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. Consequently, in the absence of recoverable amount of property plant and equipment at the reporting date we were unable to quantify the impact with reasonable accuracy on these financial statements.

e) At the reporting date, the Company's accumulated losses stand at RS. 784.259 million *(2019: Rs. 739.172 million)* and its current liabilities exceed its current assets by Rupees 833.033 million *(2019: 800.149 million)*. This situation may be further deteriorated if the possible effects of matter discussed in paragraph (a) to (d) above all accounted for in the financial statements. The Company has also suspended its operations since March 2020. Further, the financial results show adverse key financial ratios and the company's court cases are decreed in favour of the banking companies, due to its inability to comply with loan agreements. The company is also unable to pay short term financing from banking companies amounting to Rs. 452.989 million and the related finance cost, Liabilities against assets subject to finance lease amounting to Rs. 2.541 million along with the finance cost, if the execution applications filed by the banking companies are decided by the courts. At present, there is no formal approved business plan for future periods.

These conditions and events indicate material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, as described in Note 3.2, these financial statements have been prepared under the going concern assumption. These conditions lead us to believe that the going concern assumption used in preparation of these financial statements is inappropriate; consequently, in our opinion, the company cannot be considered to be a going concern and thus the preparation of these financial statements on a going concern basis is inappropriate. In our opinion, the financial statements should reflect adjustments to reduce the value of assets to their recoverable amount and to provide any further liabilities that may arise. These adjustments are likely to be substantial, and in view of further qualifications discussed in paragraphs (a) to (d) above we are unable to determine the quantum of the required adjustments and provisions with a reasonable degree of accuracy.

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

Key Audit Matters

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

In addition to the matters as mention in the basis for adverse opinion section of our report we have determined that there are no other key audit matters to communicate in our report.

Information Other Than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020.

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, on other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to drawattention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit except for the matters discussed in basis for adverse opinion section, 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 comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not 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 theCompany's business; and
d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is **Hafiz Muhammad Ahmad.**

Aslam Malik & Co.

Chartered Accountants

ASLAM MALIK & CO Chartered Accountants LAHORE

Place: Lahore

Date: 04 FEB 2021

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together.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chakwal Spinning Mills Limited

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 **Chakwal Spinning Mills Limited** for the year ended 30 June 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 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 ensued 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 30 June 2020.

Further, we highlight below instance of non-compliance with the requirements of the regulations as reflected in the paragraph reference where it is stated in the statement of compliance.

Paragraph Reference	Description
9	The Company has not arranged the directors training program or obtained the exemption from directors training program from the commission as required under clause 19 of the regulations
15	The board has not setup an internal audit function as required by regulation 31 of chapter x of listed Companies Code of Corporate Governance regulations 2019

(Aslam Malik & Co.)
Chartered Accountants

Lahore

Date: 04 FEB 2021

Engagement Partner: Hafiz Muhammad Ahmad

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital:			
140,000,000 (2019: 140,000,000 of Rs. 5/- each) ordinary shares of Rs.5/- each		700,000,000	700,000,000
Issued, subscribed and paid up share capital	7	607,881,000	607,881,000
Loan from directors	8	42,375,000	42,375,000
Accumulated loss		(784,259,887)	(739,172,120)
Surplus on revaluation of property, plant & equipment	9	131,310,019	136,695,748
		(2,693,868)	47,779,628
Non Current Liabilities			
Lease Liability	10	-	-
Deferred liabilities	11	-	37,076,024
Current Liabilities			
Trade and other payables	12	329,412,646	388,364,531
Accrued mark- up	13	67,778,697	67,778,697
Short term borrowings	14	426,043,089	429,898,326
Current portion of non current liabilities		37,742,792	2,366,318
Unclaimed dividend		384,347	384,347
Provision for taxation	15	10,232,349	21,442,910
		871,593,920	910,235,129
Contingencies and Commitments	16	-	-
		868,900,052	995,090,781
ASSETS			
Non Current Assets			
Property, plant and equipment	17	801,787,161	851,736,064
Long term loans	18	712,766	5,428,797
Long term deposits	19	27,839,744	27,839,744
		830,339,671	885,004,605
Current Assets			
Stores and spares	20	-	8,782,208
Stock in trade	21	-	7,008,281
Trade debts	22	933,497	43,725,804
Loans and advances	23	4,346,292	3,597,478
Tax refunds due from the government	24	23,880,927	36,345,436
Trade deposits, prepayments and other receivables	25	9,357,935	10,249,939
Cash and bank balances	26	41,730	377,030
		38,560,381	110,086,176
		868,900,052	995,090,781

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales	27	146,548,532	1,072,563,609
Cost of sales	28	(178,973,803)	(1,065,623,382)
Gross (Loss) / Profit		(32,425,271)	6,940,227
Distribution cost	29	(949,461)	(5,715,777)
Administrative expenses	30	(14,072,158)	(38,744,589)
		(15,021,619)	(44,460,366)
Operating Loss		(47,446,890)	(37,520,139)
Finance cost	31	(28,378)	(3,584,564)
Other operating expenses	32	(800,000)	(800,000)
Other operating income	33	-	1,782,768
Loss before Taxation		(48,275,268)	(40,121,935)
Taxation	34	(2,198,228)	(13,408,789)
Loss after Taxation		(50,473,496)	(53,530,724)
Loss per Share - Basic & Diluted	35	(0.36)	(0.38)

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR CHIEF FINANCIAL OFFICER

CHAKWAL GROUP YOUSAF WEAVING MILLS LTD.

CHAKWAL SPINNING MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Loss after taxation	(50,473,496)	(53,530,724)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss		
Experience adjustment on remeasurement of staff retirement benefits	-	(94,456)
Total comprehensive loss for the year	(50,473,496)	(53,625,180)

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER   DIRECTOR   CHIEF FINANCIAL OFFICER

YOUSAF WEAVING MILLS LTD. CHAKWAL GROUP

CHAKWAL SPINNING MILLS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees		2019 Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation		(48,275,268)		(40,121,935)
Adjustments for:				
- Depreciation	49,948,903		53,972,026	
- Provision for gratuity	-		5,837,730	
- Finance cost	28,378		3,584,564	
		49,977,281		63,394,320
Operating profit before working capital changes		1,702,013		23,272,385
(Increase) / decrease in current assets				
- Stores and spares	8,782,208		(493,264)	
- Stock in trade	7,008,281		13,491,467	
- Trade debts	42,792,307		(27,352,127)	
- Loans and advances	(748,814)		8,715,787	
- Tax refunds due from the government	(865,748)		8,262,021	
- Trade deposits, prepayments and other receivables	892,004		(2,644,760)	
Increase / (decrease) in current liabilities				
- Trade and other payables	(58,951,885)		(41,514,844)	
		(1,091,647)		(41,535,720)
Cash generated from / (used in) operations		610,366		(18,263,335)
Finance cost paid		(28,378)		(262,514)
Gratuity paid		(1,699,550)		-
Income tax paid		(78,532)		(1,506,497)
Net Cash generated from / (used in) Operating Activities		(1,196,094)		(20,032,346)
CASH FLOWS FROM INVESTING ACTIVITIES				
Long term loans	4,716,031		(363,366)	
Long term deposits	-		(19,535,553)	
Net Cash generated from / (used in) Investing Activities		4,716,031		(19,898,919)
CASH FLOWS FROM FINANCING ACTIVITIES				
Short term borrowings - net	(10,307,542)		27,609,479	
Loan from directors and others	6,452,305		11,694,938	
Net Cash (used in) / generated from Financing Activities		(3,855,237)		39,304,417
Net decrease in cash and cash equivalents		(335,300)		(626,848)
Cash and cash equivalents at the beginning of the year		377,030		1,003,878
		41,730		377,030

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

YOUSAF WEAVING MILLS LTD. CHAKWAL GROUP

CHAKWAL SPINNING MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Share Capital	Accumulated Loss	Loan from Directors	Surplus on revaluation of property, plant & equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2018	200,000,000	(689,648,887)	450,256,000	140,797,695	101,404,808
Shares issued during the year	407,881,000	-	(407,881,000)	-	-
Net loss for the year		(53,530,724)			(53,530,724)
Other comprehensive loss for the year	-	(94,456)	-	-	(94,456)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	4,101,947	-	(4,101,947)	-
Balance as at June 30, 2019	607,881,000	(739,172,120)	42,375,000	136,695,748	47,779,628
Net loss for the year	-	(50,473,496)	-	-	(50,473,496)
Other comprehensive loss for the Year	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year - net of deferred tax	-	5,385,729	-	(5,385,729)	-
Balance as at June 30, 2020	607,881,000	(784,259,887)	42,375,000	131,310,019	(2,693,868)

The annexed notes from 1 to 44 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

YOUSAF WEAVING MILLS LTD. CHAKWAL GROUP

CHAKWAL SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1
The Company and its Operations

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on Pakistan Stock Exchanges Limited. The registered office of the Company is situated at 7/1, E-III, Main Boulevard Gulberg III, Lahore, While the production plants of the Company are located at 49-Km, Multan Road, Bhai Phero. The Company is engaged in the business of textile spinning.

Note 2
Impact of COVID-19 on the Financial Statements

The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted businesses to varying degrees, having implications on their operations, financial position, profitability, liquidity and in certain cases, the going concern status. The management has evaluated the impacts of COVID-19 on the Financial Statements of the Company and has concluded as follows:

As disclosed in note 26, the Company has recorded net sales of Rs. 147 million during current year as compared to net sales of Rs. 1,072 million for the year ended June 30, 2019. The most important contributing factor in decrease in sales for the year was the decreased demand of the products of the Company during the lockdown period. Further the closure of mills due to COVID-19 pandemic also contributed lesser volumes of production during the year. However the management has evaluated the impacts of COVID-19 on going concern status of the Company and has concluded that the Company is not exposed to any going concern risk due to COVID-19.

Note 3
Basis of Preparation

3.1 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:

- International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Appropriateness of the Going Concern Assumption

The Company has incurred loss after tax of Rs. 50.473 million (2019: Rs. 53.531 million) and at year end; its accumulated losses stood at Rs. 784.260 million (2019: 739.172 million). Its current liabilities exceed its current assets by Rs. 833.034 million (2019: Rs. 837.225 million). These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

Current Government has planned energy package to provide incentive to textile industry in terms of reduction in energy prices. Accordingly from next reporting period sui gas and electricity will be provided @ 6.5 $ per mmbtu and 9 Cents per unit respectively. The management is expecting that these measures would cause a positive impact on the Company's operations.

The SECP has allowed the management to issue shares to sponsors' directors against their loan with a bar on divestment of shares for a period of three years. The directors are interested to negotiate their equity holding to enhance the working capital strength of the company, for this purpose the directors have lodged an appeal for allowing divestment of equity capital before the SECP's Appellate Authority, which if allowed will be beneficial for the company to fulfill its cash flow requirements.

The management is negotiating with the banks to reschedule/settle its outstanding liabilities and management is optimistic that these arrangements will be finalized before the end of next year.

The directors of the Company are committed to provide their support to stabilize the financial conditions of the Company and to cope-with liquidity crisis which is currently faced by the management.

Note 3 - Basis of Preparation ... Contd.

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amount and retirement benefits which have been recognized at present value determined by actuary. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3.5 Use of estimates and judgments

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

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment; revalued amounts of property, plant and equipment; amortization of intangible assets; impairment of assets; provisions for defined benefit obligations; taxation; and contingent liabilities. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

4 Changes in Accounting Standards, Interpretations and Pronouncements

4.1 Amendments to accounting and reporting standards and interpretations which are effective during the year ended June 30, 2020

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned in note 6 of the financial statements.

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

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Period beginning on or after)
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 16 Leases [Amendments]	July 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020

Company will assess the impacts of these changes in the period of initial application once such changes become effective for the company.

Note 5
Significant Accounting Policies

5.1 Employee retirement benefits

The company operates an unfunded and unapproved gratuity scheme for its employees, which is a defined benefit plan based upon the last salary drawn by an employee. Present value of defined benefit obligation is calculated on the basis of actuarial valuation at the end of the year. The valuation in these accounts is worked out on the Projected Unit Credit Actuarial Cost method.

Any Actuarial gains and losses are recognized immediately in the statement of other Comprehensive income.

5.2 Provisions

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

5.3 Trade and other payables

Trade and other payables are recognized initially at fair value net of directly attributable cost, if any.

5.4 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Charge for the current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax rebates and credits available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits are available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits would be available to allow all or part of deferred tax assets to be utilized. Tax rates enacted at the balance sheet date are used to determine deferred income tax.

5.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost/revalued amount less accumulated depreciation and identified impairment losses except free hold land which is stated at Cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 17. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Note 5 - Significant Accounting Policies ... Contd.

5.6 Stock and stores

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Stores and spare parts	- at moving average cost
Raw materials	- at average cost
Work in process	- at average manufacturing cost using average cost method
Finished goods	- at average manufacturing cost
Goods in transit	- at cost comprising invoice value plus other charges incurred thereon

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labor and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

5.7 Trade debts and other receivables

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.8 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the board of directors, it is in the interest of the Company to do so.

5.9 Dividend distribution

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

5.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current accounts.

5.11 Revenue recognition

The Company is in the business of sale of textile products. Revenue from contracts with customers is recognized at the point of time when control of the goods is transferred to the customer (generally on delivery of the goods) at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

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

Revenue from contracts with customers
Sale of Goods
Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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 recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Note 5 - Significant Accounting Policies ... Contd.

5.11 Financial instruments

5.11.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

5.11.1.1 *Classification*

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income

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

c) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Company held in short term investments are classified at fair value through profit or loss because they are frequently traded.

Reclassification

When the Company changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Company applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the amortized cost measurement category to fair value through other comprehensive income measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Note 5 - Significant Accounting Policies ... Contd.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

5.11.1.2 ***Initial recognition and measurement***

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

5.11.1.3 ***Subsequent measurement***

For the purpose of measuring financial assets after initial recognition, these are classified into the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

5.11.1.4 ***Derecognition***

Financial assets are derecognized when:

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

Note 5 - Significant Accounting Policies ... Contd.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

5.11.1.5 *Impairment of financial assets*

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

5.11.2 Financial liabilities

5.11.2.1 *Initial recognition and measurement*

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

Note 5 - Significant Accounting Policies ... Contd.

The Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

5.11.2.2 ***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

Financial guarantee contracts and commitments to provide a loan at a below-market interest rate

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts and commitments to provide a loan at a below-market interest rate are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Contingent consideration recognized in a business combination

These are subsequently measured at fair value with changes recognized in profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

5.11.2.3 ***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

Note 5 - Significant Accounting Policies ... Contd.

5.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

5.13 Earnings per Share

The Company presents basic and diluted earnings per share (EPS). Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.14 Dividend to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction form accumulated profit in the statement of changes in equity and as a liability in the Company's financial statements in the year in which the dividends are approved by the Board of Directors or the Company's shareholders as the case may be.

5.15 Off-setting of financial assets and financial liabilities

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

5.16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>Company as a lessee</u>

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Note 5 - Significant Accounting Policies ... Contd.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) ***Lease liabilities***

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in interest-bearing loans.

iii) ***Short-term leases and leases of low-value assets***

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Note 6
Change in Accounting Policy

The Company has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease and has not restated comparatives for the 2019 reporting period, using modified retrospective approach. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Company.

The Company did not have any property leases arrangement therefore, adoption of IFRS 16 as at July 01, 2019 did not have an effect on the financial statements of the Company except the reclassification of some leased assets as Right-of-use assets (note 17). The accounting policies relating to the Company's right-of-use assets and lease liabilities are disclosed in note 5.14.

Note 7
Issued, Subscribed and Paid up Capital

2020	2019		2020	2019
Number of shares			Rupees	Rupees
121,576,200	121,576,200	Ordinary shares of Rs. 5 each (2019: Rs. 5) fully paid in cash.	607,881,000	607,881,000

During the last year the directors' long term loan has been converted into ordinary shares with the approval of Securities and Exchange Commission of Pakistan.

7.1 Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:

Opening balance	121,576,200	40,000,000
Issued during the year	-	81,576,200
Closing balance	121,576,200	121,576,200

Note 8
Loan from Directors

	2020 Rupees	2019 Rupees
Loan from directors	42,375,000	42,375,000

These interest free loans were obtained from the Directors of the Company to meet working capital requirements of the Company. These loans are subordinated to finances from the directors and these are repayable at the discretion of the Company after the short term finances availed from the banks. These are not measured at amortized cost, rather these are treated as equity at face value in accordance with the guideline provided through TR 32 - "Accounting Directors' Loan" as issued by the Institute of Chartered Accountants of Pakistan.

Note 9
Surplus on Revaluation of Property, Plant & Equipment

	2020 Rupees	2019 Rupees
Opening balance	136,695,748	140,797,695
Impairment loss during the year	-	-
Transfer to retained earnings in respect of net incremental depreciation	(5,385,729)	(4,101,947)
Closing balance	131,310,019	136,695,748

Latest revaluation of freehold land has been carried out as at June 30, 2018 by M/s. K.G. Traders (Private) Limited on the basis of their professional assessment of present market value, based on inquiries made about the cost of land of similar nature, size and location, which resulted in impairment loss of Rs. 24.293 million. Incremental depreciation charged on revalued fixed assets is transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between the actual depreciation on building and the equivalent depreciation based on the historical cost of building. Forced sale value of revalued assets has been disclosed in Note 16.4 of the financial statements.

Note 10
Lease Liability

	2020		2019	
	Minimum Lease Payments	Finance Charge	Minimum Lease Payments	Finance Charge
	Rupees			
Not later than one year	2,431,516	65,218	2,431,516	65,218
Later than one year and not later than five years	-	-	-	-
	2,431,516	65,218	2,431,516	65,218

10.1 This represents lease of Auto Cone with Habib Metropolitan Bank Limited. The principal amount of lease amount to Rs. 18 million carry mark-up @ 13.16% repayable in 36 equal monthly installments starting from 18-05-2014. Last installment was due on 18-05-2017 which is still outstanding.

Note 11
Deferred Liabilities

		Note	2020 Rupees	2019 Rupees
	Gratuity payable	11.1	6,382,803	8,082,353
	Long term advances	11.2	28,993,671	28,993,671
			35,376,474	37,076,024
Less:	Current portion		(35,376,474)	-
			-	37,076,024

11.1 Staff Gratuity-Defined Benefit Plan

11.1.1 The Company operates unfunded gratuity scheme for its employees that pays a lump sum gratuity to members on leaving company's service after completion of one year of continuous service. The latest actuarial valuation was carried out by TRT Associates as on June 30, 2019. There is only one employee remaining who is eligible for gratuity therefore actuarial valuation was not carried out as at June 30, 2020.

		Note	2020 Rupees	2019 Rupees
11.1.2	**Present value of defined benefit obligation**		6,382,803	8,082,353
11.1.3	**Movement in the present value of defined benefit obligation is as follows:**			
	Present value of defined benefit obligation as at 1st July		8,082,353	2,150,167
	Current service cost		-	5,671,093
	Interest cost		-	166,638
	Benefit paid		(1,699,550)	-
	Remeasurement of obligation		-	94,456
	Present value of defined benefit obligation as at 30th June		6,382,803	8,082,354
11.1.4	**Amount charge to profit and loss account**			
	Current service cost		-	5,671,093
	Interest cost		-	166,638
			-	5,837,731
11.1.5	**Allocation of charge for the year**			
	Cost of sales	28	-	781,902
	Administrative expenses	30	-	5,055,829
			-	5,837,731
11.1.6	**Amount recognized in other comprehensive income are:**			
	Actuarial loss due to experience adjustments		-	94,456
11.1.7	**Key actuarial assumptions used:**			
	Discount rate		-	12.5%
	Expected rate of salary increase		-	11.5%
	Retirement age		-	60 Years

11.2 This represents an interest free and unsecured long term advance received from a customer against the exclusive sale commitment of a particular quality of waste to him for a period of six years. The same has been extended / renewed for a further period of three years and shall be adjusted in August 2020 or shall be extended / renewed for a further term as mutually agreed between the parties. The amount of advance is being utilized by the Company in the ordinary course of business. According to IFRS, the amount of advance should be recorded at amortized cost however the contract shall be expired on August 2020, therefore due to immaterial impact under IFRS-9, no change is recognized against this advance.

Note 12
Trade and Other Payables

	Note	2020 Rupees	2019 Rupees
Creditors - Unsecured	12.1	168,460,168	194,708,857
Accrued liabilities		132,395,051	164,778,155
Other liabilities		2,033,396	2,033,396
Contract liabilities	12.2	512,574	897,443
Income tax payable		6,322,795	6,258,018
Sales Tax Payable		19,688,662	19,688,662
		329,412,646	388,364,531

12.1 This includes an amount of Rs. 2,061,975 (2019: Rs. 2,061,975) and Rs. 16,310,094 (2019: Rs. 15,710,094) due to related party Kohinoor Spinning Mills Limited and Chakwal Textile Mills Limited. The maximum aggregate amount due to these related parties at the end of any month during the year was Rs. 18,372,069.

Note 13
Accrued Mark-up

	Note	2020 Rupees	2019 Rupees
Accrued mark up on:			
- Liability against assets subject finance lease		174,539	174,539
- Short term borrowings	13.1	67,604,158	67,604,158
		67,778,697	67,778,697

13.1 The principal amount of the short term borrowings is Rs. 356.949 million which is under litigation, the cost of funds is to be determined by Banking Court, at the current reporting date therefore no mark-up is charged for the year on the said borrowings.

Note 14
Short Term Borrowings

	Note	2020 Rupees	2019 Rupees
Banking companies - Secured			
- Running / cash finance	14.1	385,384,477	385,384,477
- Unpresented cheques	14.2	-	10,307,542
Related parties - Unsecured			
- Loan from directors	14.3	40,658,612	34,206,307
		426,043,089	429,898,326

14.1 These represent utilized portion of short term finance facilities of Rs. 385 million (2019: Rs. 385 million) available from various banks under mark up arrangements. These are secured current assets, fixed assets and personal guarantees of directors. Mark-up on the above facilities ranges from 3 months Kibor plus 2% per annum, payable quarterly. These facilities has been expired on September 30, 2016.

14.2 This represents cheques issued but not presented on the statement of financial position date. These cheques will be honored subsequent to the statement of financial position date.

14.3 This represents interest free funds obtained from directors to meet working capital requirements of the Company.

Note 15
Provision for Taxation - Net

		Note	2020 Rupees	2019 Rupees
	Balance at the beginning of the year		21,442,910	8,034,121
Add:	Provision for the year	15.1	2,198,228	13,408,789
Less:	Adjustment against advance tax		(13,408,789)	-
	Balance at the end of the year		10,232,349	21,442,910

Note 15 - Provision for Taxation - net ... Contd.

15.1 The provision for current year tax represents minimum tax on under section 113 of Income tax ordinance 2001. Sufficient tax provision has been incorporated in these financial statements.

15.2 Assessments up to and including tax year 2019 have been finalized by deeming provisions of the Income Tax Ordinance, 2001.

Note 16
Contingencies and Commitments

Contingencies

16.1 Tax liability for Rs. 4,870,776 (2019: Rs. 4,870,776) has been demanded by the concerned assessing officer for the various assessment years against which company has filed appeals. No provision for this amount has been made because the management is confident that the decision shall be in favor of the company.

16.2 Habib Metropolitan Bank Limited filed a suit against the Company and Others before the Lahore High Court vide COS No.126873/2018, wherein the Bank claimed recovery of Rs. 359.375 million inclusive of principal and mark up amounts. This suit is still pending adjudication. The amount involved in this case is the same as claimed by the Bank. This case is being vigorously and diligently contested by the Company and there are good chances of a favorable result in this case. Sufficient provision of markup have been made in these financial statement

16.3 The Company has filed a suit against Habib Metropolitan Bank Limited before the Lahore High Court vide COS No.219125/2018, wherein along with other prayers recovery of Rs. 2,306.246 million has also been claimed. This suit is still pending adjudication. There is no scope of any loss to the Company in the instant matter. This case is being vigorously pursued by the Company.

Commitments

There is no commitments of the company for the year ended June 30, 2020 (2019: Nil).

Note 17
Property, Plant and Equipment

PARTICULARS	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment	Furniture and fixtures	Vehicles	Total
	2020									
OWNED										
COST/REVALUED AMOUNT										
Balance as at July 01, 2019	82,812,500	321,448,097	104,616,215	1,143,914,896	154,449,284	5,186,925	1,698,383	2,940,455	11,601,040	1,828,667,795
Additions	-	-	-	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	82,812,500	321,448,097	104,616,215	1,143,914,896	154,449,284	5,186,925	1,698,383	2,940,455	11,601,040	1,828,667,795
DEPRECIATION										
Balance as at July 01, 2019	-	217,654,710	51,982,020	619,273,632	91,458,905	2,647,110	1,036,846	2,192,910	9,371,842	995,617,975
Charge for the year	-	10,379,339	5,263,420	26,232,063	6,299,038	253,982	66,154	74,755	445,840	49,014,591
Balance as at June 30, 2020	-	228,034,049	57,245,440	645,505,695	97,757,943	2,901,092	1,103,000	2,267,665	9,817,682	1,044,632,566
Written Down Value as at June 30, 2020	*82,812,500*	*93,414,048*	*47,370,775*	*498,409,201*	*56,691,341*	*2,285,833*	*595,383*	*672,790*	*1,783,358*	*784,035,229*
Rates %	-	10%	10%	5%	10%	10%	10%	10%	20%	
Right to Use Assets										
COST/REVALUED AMOUNT										
PLANT AND MACHINERY										
Balance as at July 01, 2019	-	-	-	24,352,205	-	-	-	-	-	24,352,205
Additions	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	-	-	-	24,352,205	-	-	-	-	-	24,352,205
Depreciation										
Balance as at July 01, 2019	-	-	-	5,665,961	-	-	-	-	-	5,665,961
Charge for the year	-	-	-	934,312	-	-	-	-	-	934,312
Balance as at June 30, 2020	-	-	-	6,600,273	-	-	-	-	-	6,600,273
Written Down Value as at June 30, 2020	-	-	-	*17,751,932*	-	-	-	-	-	*17,751,932*
WDV as at June 30, 2020 - GRAND TOTAL	*82,812,500*	*93,414,048*	*47,370,775*	*516,161,133*	*56,691,341*	*2,285,833*	*595,383*	*672,790*	*1,783,358*	*801,787,161*

Note 17 - Property, Plant and Equipment ... Contd.

	----- 2019 -----									
PARTICULARS	Freehold land	Factory Buildings on free hold land	Colony Buildings on free hold land	Plant & Machinery	Power House	Tools & equipment	Office equipment	Furniture and fixtures	Vehicles	Sub Total
OWNED										
COST/REVALUED AMOUNT										
Balance as at July 01, 2018	82,812,500	321,448,097	104,616,215	1,143,914,896	154,449,284	5,186,925	1,698,383	2,940,455	11,601,040	1,828,667,795
Additions	-	-	-	-	-	-	-	-	-	-
Deletions	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	82,812,500	321,448,097	104,616,215	1,143,914,896	154,449,284	5,186,925	1,698,383	2,940,455	11,601,040	1,828,667,795
DEPRECIATION										
Balance as at July 01, 2018	-	206,122,111	46,133,776	591,660,934	84,459,974	2,364,908	963,342	2,109,849	8,814,542	942,629,436
Charge for the year	-	11,532,599	5,848,244	27,612,698	6,998,931	282,202	73,504	83,061	557,300	52,988,539
Balance as at June 30, 2019	-	217,654,710	51,982,020	619,273,632	91,458,905	2,647,110	1,036,846	2,192,910	9,371,842	995,617,975
Written Down Value as at June 30, 2019	*82,812,500*	*103,793,387*	*52,634,195*	*524,641,264*	*62,990,379*	*2,539,815*	*661,537*	*747,545*	*2,229,198*	*833,049,820*
Rates %	-	10%	10%	5%	10%	10%	10%	10%	20%	
Right to Use Assets										
PLANT AND MACHINERY										
Balance as at July 01, 2018	-	-	-	24,352,205	-	-	-	-	-	24,352,205
Additions	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	-	-	-	24,352,205	-	-	-	-	-	24,352,205
Depreciation										
Balance as at July 01, 2018	-	-	-	4,682,474	-	-	-	-	-	4,682,474
Charge for the year	-	-	-	983,487	-	-	-	-	-	983,487
Balance as at June 30, 2019	-	-	-	5,665,961	-	-	-	-	-	5,665,961
Written Down Value as at June 30, 2019	-	-	-	*18,686,244*	-	-	-	-	-	*18,686,244*
WDV as at June 30, 2019 - GRAND TOTAL	*82,812,500*	*103,793,387*	*52,634,195*	*543,327,508*	*62,990,379*	*2,539,815*	*661,537*	*747,545*	*2,229,198*	*851,736,064*

17.1 The depreciation charge for the year has been allocated as under:

	Note	2020 Rupees	2019 Rupees
Cost of sales	28	49,362,154	53,258,161
Administrative expenses	30	586,749	713,865
		49,948,903	53,972,026

17.2 There has been no disposal of property, plant and equipment during the current year.

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

Location / Address	Usage of immovable property	Total Area (In Kanals)	Covered Area (In sq. ft.)
49-Km, Multan Road,	Production unit	132.5	298,440

17.4 As per the valuation report of independent valuer as of June 30, 2018, the forced sales value of revalued assets is Rs. 815.023 million. The management believes that these values approximate to the values as on June 30, 2020. Break-up of forced sale value is as following:

Asset	Forced Sale Value (Rs.)
Land	74,531,250
Building	157,742,100
Plant & Machinery	582,750,000
	815,023,350

17.5 The revaluation of freehold land, building and plant & machinery was carried out on June 30, 2018 by M/s. K.G. Traders (Pvt) Limited, an independent valuer on prevaling market prices.

17.6 Had there been no revaluation, the Cost, accumulated depreciation and book values of the revalued assets would have been as follows:

PARTICULARS	As at June 30, 2020			As at June 30, 2019		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land	5,009,292	-	5,009,292	5,009,292	-	5,009,292
Building	356,307,236	255,670,042	100,637,194	356,307,236	244,488,131	111,819,105
Plant and machinery	1,099,851,692	629,934,014	469,917,678	1,099,851,692	605,201,505	494,650,187
Power house	145,165,634	95,087,257	50,078,377	145,165,634	89,522,993	55,642,641
Total	1,606,333,854	980,691,313	625,642,541	1,606,333,854	939,212,629	667,121,225

Note 18
Long Term Loans

	Note	2020 Rupees	2019 Rupees
Loans to employees - (Secured - considered good)			
- Due from executive	18.1	3,528,317	3,528,317
- Due from other employees		1,500,741	2,503,680
		5,029,058	6,031,997
Less: Current portion			
- Due from executives		(3,528,317)	(352,832)
- Due from other employees		(787,975)	(250,368)
		(4,316,292)	(603,200)
		712,766	5,428,797

18.1 Reconciliation of carrying amount of loan to executive:

	2020	2019
Opening balance	3,528,317	3,326,537
Disbursement during the year	-	201,780
	3,528,317	3,528,317
Recoveries during the year	-	-
Closing Balance	3,528,317	3,528,317

18.2 This represents interest free loans given to executives and other employees for construction of houses and other purposes as per the Company's policy. These loans shall be recovered in monthly installments from salary and are secured against gratuity balances.

18.3 The maximum aggregate amount of loans due from executive at the end of any month during the year was Rs. 3.528 million (2019: Rs. 3.528 million)

18.4 Long term loans have been carried at cost as the effect of carrying these balances at amortized cost would not be material.

Note 19
Long Term Deposits

	2020 Rupees	2019 Rupees
Deposits against:		
- Utilities	27,832,744	27,832,744
- Margin on letter of guarantee	7,000	7,000
	27,839,744	27,839,744

Note 20
Stores and Spares

	2020 Rupees	2019 Rupees
Stores & Spares	-	8,782,208

20.1 No store and spare held for capitalization as on June 30, 2020 (2019: Nil)

Note 21
Stock in Trade

	2020 Rupees	2019 Rupees
Raw materials	-	6,984,520
Work in process	-	-
Finished goods	-	23,761
	-	7,008,281

21.1 Raw materials and finished goods are under first charge by way of pledge as security for certain short term borrowings (refer to note 14).

Note 22
Trade Debts

	Note	2020 Rupees	2019 Rupees
Local - Unsecured and considered good	22.1	933,497	43,725,804

22.1 Trade debts do not include any amount due from related parties (2019: Nil).

Note 23
Loans and Advances

	Note	2020 Rupees	2019 Rupees
Current portion of loans to employees	18	4,316,292	603,200
Advances - Considered good			
- Suppliers and contractors		30,000	2,922,398
- Employees	23.1	-	71,880
		4,346,292	3,597,478

23.1 Amount due from directors, chief executive and executives of the Company is Nil (2019: Nil)

Note 24
Tax refunds due from the government

	2020 Rupees	2019 Rupees
Tax deducted at source and advance tax	7,098,105	20,428,362
Sales tax refundable - Net	16,782,822	15,917,074
	23,880,927	36,345,436

Note 25
Trade Deposits, Prepayments and Other Receivables

	Note	2020 Rupees	2019 Rupees
Security Deposit		2,500,000	2,500,000
Prepayments		429,716	501,772
Other Receivables	25.1	6,428,219	7,248,167
		9,357,935	10,249,939

25.1 This solely represents amount due from Yousaf Weaving Mills Limited. The maximum aggregate amount outstanding during the year was Rs. 7,248,167.

Note 26
Cash and Bank Balance

	2020 Rupees	2019 Rupees
Cash in hand	-	13,002
Cash at bank - in current accounts	41,730	364,028
	41,730	377,030

Note 27
Sales

	2020 Rupees	2019 Rupees
Local - Yarn Sales	171,461,782	1,059,939,757
Waste Sales	-	12,763,365
	171,461,782	1,072,703,122
Sales tax	(24,913,250)	-
Commission	-	(139,513)
Net sales	146,548,532	1,072,563,609

Note 28
Cost of Sales

	Note	2020 Rupees	2019 Rupees
Raw materials consumed	28.1	90,749,977	742,161,403
Salaries, wages and benefits	28.2	11,554,818	107,038,442
Fuel and power		17,802,974	113,126,303
Store and spares consumed		5,236,975	17,614,335
Packing material		3,545,233	13,345,871
Repairs and maintenance		490,131	2,767,064
Travelling and conveyance		207,780	2,485,327
Depreciation	17.1	49,362,154	53,258,161
		178,950,042	1,051,796,906
Work in process			
- Opening		-	9,620,385
- Closing		-	-
		-	9,620,385
Cost of goods manufactured		178,950,042	1,061,417,291
Finished goods			
- Opening stock		23,761	4,229,852
- Closing stock		-	(23,761)
		23,761	4,206,091
		178,973,803	1,065,623,382

28.1 Raw materials consumed:

	2020 Rupees	2019 Rupees
Opening stock	6,984,520	6,649,511
Purchases during the year	83,765,457	742,496,412
	90,749,977	749,145,923
Closing stock	-	(6,984,520)
	90,749,977	742,161,403

28.2 This includes Rs. Nil (2019: Rs. 781,902) in respect of employee benefits - gratuity scheme.

Note 29
Distribution Cost

	2020 Rupees	2019 Rupees
Salaries, wages and benefits	-	310,231
Freight and other charges	949,461	5,405,546
	949,461	5,715,777

Note 30
Administrative Expenses

	Note	2020 Rupees	2019 Rupees
Salaries, wages and benefits	30.1	6,107,043	14,688,794
Director's remuneration		4,000,000	12,000,000
Travelling and conveyance		38,940	32,264
Rent, rates and taxes		-	1,618,200
Communication		262,200	447,870
Repairs and maintenance		267,476	473,298
Utilities		857,713	1,928,277
Printing and stationery		195,922	350,622
Entertainment		134,868	211,117
Vehicle running and maintenance		723,702	1,471,543
Fees and subscriptions		682,545	1,710,243
Legal and professional charges		155,000	2,650,315
Advertisement and publicity		60,000	199,775
Depreciation	17.1	586,749	713,865
Miscellaneous		-	248,406
		14,072,158	38,744,589

30.1 This includes Rs. Nil (2019: Rs. 5,055,829) in respect of employee benefits - gratuity scheme.

Note 31
Finance Cost

	2020 Rupees	2019 Rupees
Short term borrowings	-	3,322,050
Bank charges and commission	28,378	262,514
	28,378	3,584,564

Note 32
Other Operating Expenses

	Note	2020 Rupees	2019 Rupees
Auditors' remuneration	32.1	800,000	800,000

32.1 **Auditors' remuneration**

	2020 Rupees	2019 Rupees
Audit fee	650,000	650,000
Half yearly review and code of corporate governance	150,000	150,000
	800,000	800,000

Note 33
Other Operating Income

	2020 Rupees	2019 Rupees
Scrap sale	-	1,782,768

Note 34
Taxation

	2020	2019
Current - for the year	2,198,228	13,408,789
Deferred - for the year	-	-
	2,198,228	13,408,789

34.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the Company has declared accounting loss for the year. Therefore minimum tax @ 1.5% has been provided in these financial statements.

34.2 Deferred tax asset amounting to Rs. 64.525 million (2019: 61.617 million) arising mainly due to brought forward losses amounting to Rs. 703.687 (2019: 721.351 million) has not been recognized in the current year, as the attributable temporary differences are not expected to reverse in the foreseeable future.

Note 35
Loss per Share

		2020 Rupees	2019 Rupees
Loss after taxation	Rupees	(50,473,496)	(53,530,724)
		Number of shares	
Weighted average number of ordinary shares outstanding during the year	Number	140,000,000	140,000,000
Loss per share - basic & diluted	Rupees	(0.36)	(0.38)

35.1 There is no dilution effect on the basic loss per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 36
Remuneration of Chief Executive, Directors' and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the chief executive, directors and executive of the Company are as follows:

	2020		2019	
	Director	Executives	Director	Executives
	---Rupees---			
Managerial Remuneration	2,500,000	2,700,000	8,000,000	2,700,000
House rent allowance	1,250,000	-	4,000,000	-
Medical	85,240	-	516,789	-
Utilities	164,760	-	123,024	90,056
Reimbursable expenses	-	272,189	1,471,543	-
	4,000,000	2,972,189	14,111,356	2,790,056
Number of persons	1	1	1	1

36.1 As per the Companies Act, 2017, an executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

36.2 Neither any director remuneration nor any meeting fee have been paid to any director of the Company.

36.3 No remuneration has been paid to chief executive officer of the Company during the year.

Note 37
Transactions with Related Parties

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Particulars	Relationship	2020	2019
		Rupees in '000'	
Short term funds availed from directors	Director	6,452	11,695
Expenses paid by Yousaf Weaving Mills Limited on behalf of Chakwal Spinning Mills	Associate-Common Directorship	820	-
Advance received from Chakwal Textile Mills Limited		600	-

Note 38
Financial Risk Management

38.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) Market Risk

'Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will effect the Company's income or the value of its holdings of financial instruments.

i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / (payable) balance in foreign currency.

Note 38 - Financial Risk Management ... Contd.

ii) Other Price Risk

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

iii) Interest Rate Risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2020 Rupees	2019 Rupees
Floating rate instruments		
Financial Liabilities		
Short term borrowings	385,384,477	385,384,477

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 3.851 million (2019: Rs. 3.854). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is prepared assuming that amounts of assets and liabilities outstanding as at the reporting date have been outstanding for the entire year.

b) Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:-

	2020 Rupees	2019 Rupees
Long term loans	712,766	5,428,797
Long term deposits	27,839,744	27,839,744
Trade debts	933,497	43,725,804
Loans and advances	4,346,292	3,597,478
Trade deposits and other receivables	8,928,219	9,748,167
Cash and bank balances	41,730	377,030

The aging of trade debts at balance sheet date is as follows:

1 - 30 days	-	15,200,068
31 - 60 days	-	5,955,138
61 - 120 days	-	6,481,281
120 days and above	933,497	16,089,317
	933,497	43,725,804

The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of parties and trade debts are subject to specific credit ceilings based on customer credit history.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate:

Note 38 - Financial Risk Management ... Contd.

Name of Bank	Rating Agency	Credit Rating	
		Short-term	Long-term
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA

c) **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 385 million (2019: Rs. 385 millions) worth short term borrowing limits available from financial institutions and Rs. 0.042 million (2019: Rs 0.377 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2020

	Carrying Amount	Contractual Cash Flows	Less then 1 year	Between 1 to 5 years	5 years and above
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	329,412,646	329,412,646	329,412,646	-	-
Accrued mark- up	67,778,697	67,778,697	67,778,697	-	-
Short term finances	385,384,477	385,384,477	385,384,477	-	-
Current portion of non current liabilities	37,742,792	37,742,792	37,742,792	-	-

Contractual maturities of financial liabilities as at June 30, 2019

	Carrying Amount	Contractual Cash Flows	Less then 1 year	Between 1 to 5 years	5 years and above
	Rupees	Rupees	Rupees	Rupees	Rupees
Trade and other payables	388,364,531	388,364,531	388,364,531	-	-
Accrued interest	67,778,697	67,778,697	67,778,697	-	-
Short term borrowings	385,384,477	385,384,477	385,384,477	-	-
Current portion of non current liabilities	2,366,318	2,366,318	2,366,318	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30th June. The rates of interest mark up have been disclosed in Note 12 to these financial statements.

(d) **Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2020 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1	Quoted market prices
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

Note 38 - Financial Risk Management ... Contd.

38.2 Financial instruments by categories

	2020	2019
Financial asset as at amortized cost	Rupees	Rupees
Long term loans	712,766	5,428,797
Long term deposits	27,839,744	27,839,744
Trade debts	933,497	43,725,804
Short term loans to employees	4,346,292	3,597,478
Trade deposits and other receivables	8,928,219	9,748,167
Cash and Bank Balance	41,730	377,030
Financial liabilities at amortized cost		
Trade and other payables	329,412,646	388,364,531
Accrued mark- up	67,778,697	67,778,697
Short term borrowings	385,384,477	385,384,477

38.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 39
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2020	2019
	Rupees	Rupees
Total borrowings	506,160,881	474,639,644
Cash and bank balances	(41,730)	(377,030)
Net Debt	506,119,151	474,262,614
Equity	(2,693,868)	47,779,628
Total capital employed	503,425,283	522,042,242
Gearing Ratio	100.54%	90.85%

Note 40
Entity- Wise Information

40.1 The Company constitutes of a single reportable segment, the principal classe of product is yarn.

40.2 **Information about geographical areas**
The Company does not hold non-current assets in any foreign country. All of the Company sales are local.

40.3 **Information about major customers**

The Company does not have transactions with any external customer which amount to 10 percent or more of its revenues.

Note 41
Plant Capacity and Production

	2020 Rupees	2019 Rupees
Number of spindles installed	33,468	33,468
Installed capacity in 20's count (Kgs) - approximately	11,168,743	11,168,743
Actual production after conversion into 20's count (Kgs)	401,252	3,974,512

It is difficult to describe precisely the under utilization of production capacity in spinning since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, etc. It also varies according to the pattern of production adopted in particular year.

Note 42
Number of Employees

		Note	2020 Rupees	2019 Rupees
	Employees as at June 30,			
	Permanent	42.1	5	59
	Temporary		-	607
	Average employees during the year			
	Permanent		32	30
	Temporary		304	456
42.1	Includes factory employees as at June 30,		1	55

Note 43
Authorization of Financial Statements

These financial statements were authorized for issue on February 04, 2021 by the Board of Directors of the Company.

Note 44
General

Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

YOUSAF WEAVING MILL LTD.
CHAKWAL GROUP

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f))
PATTERN OF SHAREHOLDING

1.1 Name of the Company | CHAKWAL SPINNING MILLS LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at | 30-06-2020

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
197	1	100	9,848
310	101	500	129,509
180	501	1,000	175,491
328	1,001	5,000	1,007,304
143	5,001	10,000	1,171,224
62	10,001	15,000	794,702
48	15,001	20,000	892,000
27	20,001	25,000	628,100
17	25,001	30,000	480,500
12	30,001	35,000	395,500
14	35,001	40,000	538,500
12	40,001	45,000	512,700
11	45,001	50,000	534,000
6	50,001	55,000	316,500
6	55,001	60,000	352,195
4	60,001	65,000	253,500
5	65,001	70,000	345,435
2	70,001	75,000	150,000
6	75,001	80,000	469,500
6	80,001	85,000	499,500
2	85,001	90,000	176,000
5	90,001	95,000	467,000
5	95,001	100,000	500,000
3	100,001	105,000	303,000
1	105,001	110,000	110,000
3	110,001	115,000	342,013
1	115,001	120,000	117,000
1	120,001	125,000	125,000
1	125,001	130,000	130,000
3	135,001	140,000	417,000
1	140,001	145,000	144,000
2	145,001	150,000	297,000
1	160,001	165,000	164,600
1	175,001	180,000	179,500

1	195,001	200,000	196,500
1	225,001	230,000	226,000
1	250,001	255,000	251,000
1	285,001	290,000	290,000
1	290,001	295,000	291,000
1	300,001	305,000	300,500
1	345,001	350,000	350,000
1	355,001	360,000	360,000
1	395,001	400,000	396,500
1	455,001	460,000	457,500
1	490,001	495,000	492,000
1	495,001	500,000	500,000
1	500,001	505,000	502,500
1	510,001	515,000	510,500
1	660,001	665,000	662,508
1	805,001	810,000	808,500
1	895,001	900,000	900,000
1	915,001	920,000	918,800
1	1,250,001	1,255,000	1,251,292
1	1,435,001	1,440,000	1,436,600
1	2,655,001	2,660,000	2,655,500
1	6,430,001	6,435,000	6,431,750
1	#########	27,275,000	27,273,729
1	#########	60,990,000	60,985,400
1,450			**121,576,200**

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	94,805,792	77.9806
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	-
2.3.3 NIT and ICP	662,508	0.5449
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	5,522	0.0045
2.3.5 Insurance Companies	54,300	0.0447
2.3.6 Modarabas and Mutual Funds	134,100	0.1103
2.3.7 Share holdersholding 10% or more	88,371,142	72.6879
2.3.8 General Public		
a. Local	25,455,323	20.9378
b. Foreign	0	-
2.3.9 Others (to be specified)		
1- Joint Stock Companies	316,601	0.2604
2- Investment Companies	12,000	0.0099
3- Foreign Companies	58,700	0.0483
4- Pension Funds	68,935	0.0567
5- Others	2,419	0.0020

CHAKWAL SPINNING MILLS LIMITED
KEY FINACIASL DATA OF LAST FIVE YEARS

	2019	2018	2017	2016	2015
Sales	1,072,564	201,245	536,175	1,057,846	2,112,615
Gross Profit / (Loss)	6,940	(38,524)	(290,981)	(230,599)	34,805
(Loss) / Profit before Taxation	(40,122)	(90,745)	(357,104)	(332,704)	(131,692)
Taxes	(13,409)	(2,516)	1,200	(2,032)	7,739
(Loss) / Profit after taxes Taxation	(53,531)	(93,261)	(355,904)	(334,736)	(123,953)
Total Assets	995,091	1,028,263	1,087,699	1,482,005	1,750,810
Current Liabilities	(910,235)	(895,714)	(832,904)	(1,013,957)	(925,770)
	84,856	**132,549**	**254,795**	**468,048**	**825,040**
Share Capital	607,881	200,000	200,000	200,000	200,000
Loan fron Directors	42,375	450,256	450,256	271,256	271,256
Accumlated Loss	(739,172)	(689,649)	(599,371)	(249,314)	78,863
Surplus on Revaluation of Fixed Assets	136,696	140,798	168,074	175,803	184,172
Equity	47,780	101,405	218,959	397,745	734,291
Finance Lease	-	-	-	-	6,097
Deferred Liability	37,076	31,144	35,836	70,303	84,652
	84,856	**132,549**	**254,795**	**468,048**	**825,040**

مختار نامہ

کمپنی سیکرٹری
چکوال سپننگ ملز لمیٹڈ
E-3،7/1 مین بلیوارڈ، گلبرگ III،
لاہور

فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر:
ملکیتی حصص:

میں/ہم ____________ کا/کے ____________

بحیثیت رکن چکوال سپننگ ملز لمیٹڈ بذریعہ ہذا محترم/محترمہ ____________ کو اپنے/ہمارے ایماء پر بروز جمعہ مورخہ 26 فروری 2021ء صبح 10:00 بجے، بمقام E-3،7/1 مین بلیوارڈ، گلبرگ III، لاہور میں منعقد ہونے والے کمپنی کے سالانہ اجلاس میں شرکت اور حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت اپنا/ ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز.......... بتاریخ.......... 2021ء کو دستخط کئے گئے۔

رسیدی ٹکٹ یہاں چسپاں کریں

دستخط: ____________

(دستخط کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں)

گواہان

1۔
دستخط: ____________
نام: ____________
پتہ: ____________
____

2۔
دستخط: ____________
نام: ____________
پتہ: ____________
____

نوٹ:

1۔ ایک ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا اہل ہو، اپنی جگہ کسی کو بطور نائب شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

2۔ پراکسی تقرری کے آلات پر رکن یا اس کے باقاعدہ بااختیار اٹارنی کی طرف سے دستخط شدہ ہونے چاہئیں۔ اگر رکن ایک کارپوریشن ہے، تو اس کی مشترکہ مہر آلات پر ثبت ہونی چاہئے۔

3۔ سی ڈی سی حصص داران سے التماس ہے کہ متعلقہ حصص داران کی شناخت کی سہولت کے لئے غیر معمولی اجلاس عام میں شرکت کے وقت اپنے کمپیوٹرائزڈ قومی شناختی کارڈ معہ پارٹیسپنٹس کا آئی ڈی نمبرز اور اپنے اکاؤنٹ نمبرز لازماً ہمراہ لائیں۔

4۔ پراکسی تقرری کے آلات، معہ پاور آف اٹارنی، اگر کوئی ہو، جس کے تحت یہ دستخط شدہ ہے یا اس کی نوٹریلی کاپی، اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے دفتر میں جمع کرائے جانے چاہئیں۔

Form of Proxy – 33rd Annual General Meeting

The Corporate Secretary
Chakwal Spinning Mills Limited
7/1 E-3 Main Boulevard Gulberg III, Lahore

Folio # / CDC A/C #.	
Participant I.D	
Account #	
Shares held	

I/We____ of ____________________________
being a member (s) of Chakwal Spinning Mills Limited hold __________ ordinary shares hereby appoint Mr./Mrs./Miss __________________________________ of ______________________ or failing him/her ___________________________ of ________________________ as my /our Proxy to attend and vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held on Friday, February 26, 2021 at 10:00 a.m. at 7/1 E-3 Main Boulevard Gulberg III, Lahore and at every adjournment thereof.

Signed this ____________________________ day of ____________ 2021.

1. Witness:
   Signature _____________
   Name _____________
   Address _____________
   CNIC _____________
2. Witness:
   Signature _____________
   Name _____________
   Address _____________
   ____
   CNIC _____________

AFFIX REVENUE STAMP of Five rupees

Signature_____________
(Signature appended above should agree with the specimen signatures registered with the Company.)

IMPORTANT

1. This Form of proxy, duly completed and signed, must be received at the registered office of the company, at 7/1 E-3 Main Boulevard Gulberg III, Lahore Pakistan, not less then 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.

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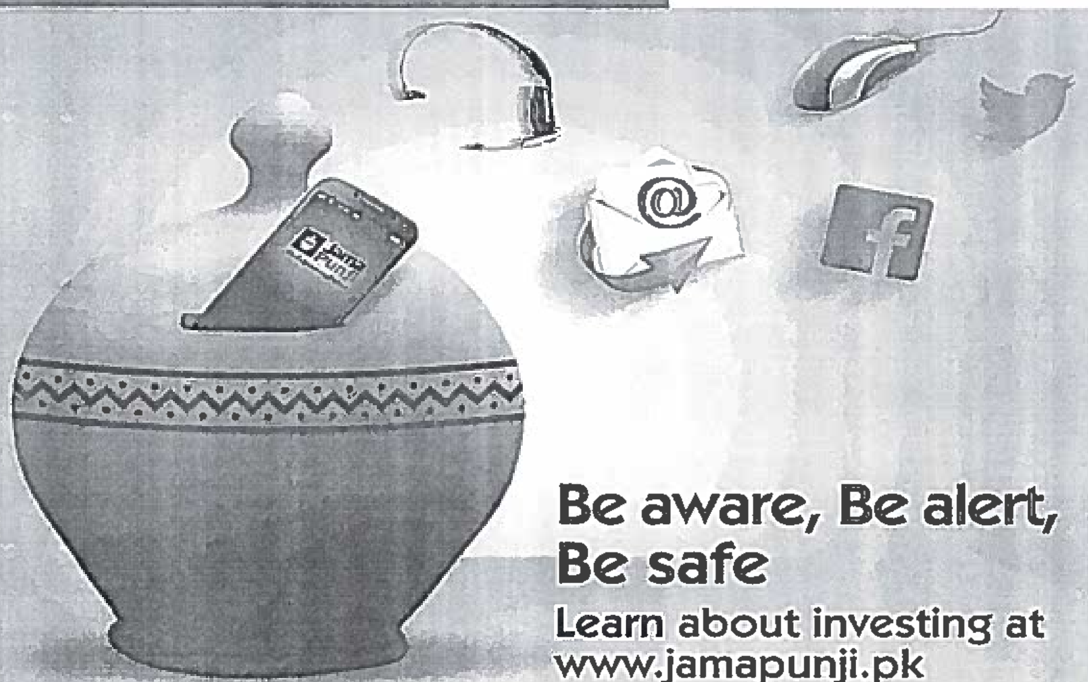

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