

APOLLO TEXTILE MILLS LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

APOLLO TEXTILE MILLS LTD.

14th Floor, BRR Tower, I.I. Chundrigar Road, Karachi

COMPANY INFORMATION

BOARD OF DIRECTORS

CHIEF EXECUTIVE

Mr. Abdul Rehman Zahur

DIRECTORS

Mr. Abdul Rehman Zahur
Nlr. Ikram Zahur
Mr. Muhammad Tahir Khan
Mr. Muhammad Farooq
Mr. Riaz Hussain
Mr. Shabbir Ahmed
Mr. Muhammad Liaqat

AUDITORS

M/s. Clarkson Hyde Saud Ansari & Co.
Chartered Accountants
Office No. 1013, 10th Floor, Caesar's Tower
Plot No. ST-10, Shahra-e-Faisal,
Karachi-75350
Pakistan.

Chairman Members

Mr. Muhammad Tahir Khan
Mr. Abdul Rehman Zahur

HUMAN RESOURCES &

Mr. Riaz Hussain

REMUNERATION COMMITTEE

Mr. Abdul Rehrnan Zahur
Mr. Muhammad Tahir Khan
Mr. Shabbir Ahmed

BANKERS

Soneri Bank Limited
Standard Chartered Bank
Meezan Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
National Bank of Punjab
Bank of Punjab
Silk Bank Limited

REGISTERED OFFICE

14th Floor, BRR Tower, I.I. Chundrigar Road,
Karachi.

MILLS

Jasilwahin, Jhang Road
Muzaffar;earh

DIRECTOR'S REPORT TO THE SHAREHOLDER

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE BENEVOLENT, THE MOST MERCIFUL

The director of Apollo Textile Mills Limited feel great pleasure in presenting audit report with audited financial statement of the Company at the Annual General Meeting of the Company for the financial year ended June 30, 2019.

OPERATING FINANCIAL RESULTS

During the year under review the company remained closed. due to the prevailing crisis in the textile sector.

The financial results for the year ended June 30, 2019 are summarized below:

	Note	2019 Rupees	2018 Rupees
SALES		-	-
Less: COST OF SALES	19	<u>61,421,383</u>	<u>66,128,637</u>
GROSS LOSS		(61,421,383)	(66,128,637)
Less: Administrative Expenses	21	<u>473,811</u>	<u>12,544,041</u>
OPERATING LOSS		(61,895,194)	(78,672,678)
Less: Financial Expenses	23	<u>80</u>	<u>58,708</u>
LOSS BEFORE TAXATION		(61,895,274)	(78,731,386)
TAXATION		-	-
NET LOSS FOR THE YEAR		(61,895,274)	(78,731,386)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(61,895,274)</u>	<u>(78,731,386)</u>
EARNINGS PER SHARE - BASIC	24	<u>(7.47)</u>	<u>(9.50)</u>

Auditors

The auditors M/s. Mazars M.F. & Co, Chartered Accountants, the auditors of the company has retired and M/s. Clarkson Hyde Saud Ansari -(Chartered Accountants). are appointment for the year ended June 30, 2019 and 2020. The Board of Directors, based the recommendation of the audit committee, would recommend the appointment of M/s Clarkson Hyde Saud Ansari -(Chartered Accountants), for the year ended June 30, 2021.

Future Outlook

The management is striving hard to achieve better results.

Code of Corporate Governance

The directors of your company are aware of their responsibilities under the code of corporate governance of the Listing Regulations of the Stock Exchange in the country under instruction from Securities & Exchange Commission of Pakistan. We are taking all necessary steps to ensure good Corporate Governance in your Company as required by the code.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- a. The financial Statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Company has maintained proper books of accounts.
- c. Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- d. In preparation of the financial statements international accounting standards, as applicable in Pakistan, have been followed and departure, if any has been adequately disclosed.
- e. Internal auditor is continuously reviewing the existing system of internal control and other procedures. The process of review will continue and any weakness in control will have immediate attention of the management.
- f. There are no significant doubts upon the Company's ability as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulation.

- h During the year under review, three meetings of the boards of the directors were held and attend as follows.

Name of director	No of meeting attended
Mr. Ikram Zahur	3
Mr. Abdul Rehman Zahur	3
Mr. Muhammad Tahir Khan	2
Mr. Muhammad Farooq	2
Mr. Shabbir Ahmed	3
Mr. Riaz Hussain	3
Mr. Muhammad Liaquat	2

Leave of absence was granted to directors who could not attend the meeting.

- i The statement of pattern of the share holding of the Company as at June 30, 2019 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- j. During the year under review the trading in shares of the Company by the Directors, CEO and their spouses as follows:

	Opening balances as on 01/07/2018	Purchase	Sale	Closing Balances as on 30/06/2019
Mr. Ikram Zahur	777,490	-	-	777,490
Mr. Abdul Rehman Zahur	733,991	-	-	733,991

AUDIT COMMITTEE

The board of directors in compliance to the Code of Corporate governance has established an Audit Committee comprising of the following directors:

Mr. Muhammad Tahir Khan
Mr. Abdul Rehman Zahur
Mr. Riaz Hussain

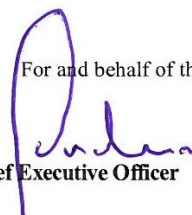
i Chairman
Member
Member

ACKNOWLEDGEMENT

The board of Directors would like to place on record thanks to customers, suppliers, shareholder and agents, and employees for the services rendered by them' with the hope that' they will continue to display the same spirit with all zeal and devotion in the time ahead.

Karachi: 24th March, 2022

For and behalf of the Board of Directors


Chief Executive Officer


Director



Clarkson Hyde Saud Ansari
Chartered Accountants

Office No. 1501, 15th Floor, Caesar's Tower,
Plot No. ST-10, Shakra-e-Faisal, Karachi-75350
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Pakistan representative of **Clarkson Hyde Global**
Global Association of Auditors, Accountants,
Tax Specialists and Business Advisors

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of : APOLLO TEXTILE 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 **APOLLO TEXTILE MILLS LIMITED** (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, we are unable to express any comments that the company's records reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.


Clarkson Hyde Saud Ansari
Chartered Accountants
Engagement Partner – Saud Ansari
Karachi
Dated: April 16, 2022





Clarkson Hyde Saud Ansari
Chartered Accountants

Office No. 1501, 15th Floor, Caesar's Tower,
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INDEPENDENT AUDITOR'S REPORT

To the members of: **APOLLO TEXTILE MILLS LIMITED**

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **APOLLO TEXTILE MILLS LIMITED**, which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have been unable to obtain the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

We do not express an opinion on the accompanying financial statements of the Company, for the year ended June 30, 2019. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. We have been unable to obtain sufficient and appropriate evidence relating to the most of the assets and liabilities. The records made available to us were insufficient for the purposes of our audit, hence the amounts of assets, liabilities, revaluation surplus and expenses as well as various disclosures made in the financial statements, remained unverified.
2. The Company has stopped its operations since the closure of the financial year 2014 and during the year ended June 30, 2019 the Company sustained after tax loss of Rs.61.89 million and accumulated loss stood at Rs.196.86 million. These events indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on going concern basis, but in our opinion the management's use of going concern assumption is inappropriate.
3. We have sent confirmation requests to the banks and the legal advisor for confirming bank balances and litigation by and against the Company, respectively, but the same have not been received.
4. The Company has not charged finance cost on long and short term borrowings as well as on finance lease obligations. The current maturity of long term borrowings has also not been properly shown in the financial statements,
5. The Company has been following revaluation model to present land and buildings and plant and machinery as per requirements of IAS 16. However, the Company has not carried out revaluation since May 31, 2005. Further, forced sales value of assets subject to revaluation has also not been disclosed as per Fourth Schedule to the Companies Act, 2017.



6. The Company has been operating an unfunded gratuity scheme and has been following actuarial valuation to calculate provision as per requirements of IAS 19. However, the company has not carried out actuarial valuation since June 30, 2009.

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 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 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 responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing as applicable in Pakistan, and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

Because of the significance of the matters, discussed above in Basis for Disclaimer of Opinion section, we are unable to form an opinion as to whether:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017;
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with notes thereon have been drawn up in conformity with the Companies Act, 2017 and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Other Matter

Prior year's financial statements were audited by the Predecessor Auditor, whose report dated nil, disclaimed opinion on those financial statements.

The engagement partner on the audit resulting in this independent auditors' report is **SAUD ANSARI**.

Clarkson Hyde Saud Ansari

Clarkson Hyde Saud Ansari

Chartered Accountants

Date: April 16, 2022



APOLLO TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
NON CURRENT ASSETS			
Property, Plant and Equipment	4	629,808,497	684,022,691
Long Term Deposits		67,167,249	67,167,249
		<u>696,975,746</u>	<u>751,189,940</u>
CURRENT ASSETS			
Stores, Spares and Loose Tools	5	96,476,808	96,476,808
Inventories	6	1,283,600,559	1,283,600,559
Trade Debts		1,128,581	1,128,581
Trade Deposits	7	46,120,390	46,120,390
Advance Income Tax		14,113,837	14,109,308
Sales Tax Refundable		26,716,843	26,716,843
Other Receivables	8	1,950,409	1,950,409
Cash and Bank Balances	9	1,004,517	1,004,626
		1,471,111,944	1,471,107,524
		<u>2,168,087,690</u>	<u>2,222,297,464</u>
SHARE CAPITAL AND RESERVES			
Share Capital	10	82,847,000	82,847,000
<i>Capital Reserve</i>			
Revaluation Surplus	11	184,348,684	193,963,568
<i>Revenue Reserve</i>			
General Reserve		142,000,000	142,000,000
Accumulated Loss		(196,863,222)	(144,582,832)
		(54,863,222)	(2,582,832)
		<u>212,332,462</u>	<u>274,227,736</u>
NON CURRENT LIABILITIES			
Long Term Borrowings - Secured	12	392,915,253	392,915,253
Liabilities against assets subject to Finance Lease	13	5,545,043	5,545,043
Deferred Liabilities	14	47,281,463	47,281,463
		445,741,759	445,741,759
CURRENT LIABILITIES			
Trade and Other Payables	15	38,757,235	31,071,735
Accrued Mark Up	16	239,712,219	239,712,219
Current Portion of Long Term Borrowings	12	63,936,000	63,936,000
Current Portion of Liabilities against subject to Finance Lease	13	13,719,441	13,719,441
Short Term Borrowings - Secured	17	1,153,888,574	1,153,888,574
		1,510,013,469	1,502,327,969
CONTINGENCIES AND COMMITMENTS			
	18		
		<u>2,168,087,690</u>	<u>2,222,297,464</u>

The annexed notes form an integral part of these financial statements

CHSA


DIRECTOR


CHIEF EXECUTIVE

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

	Note	2019 Rupees	2018 Rupees
SALES		-	-
Less: COST OF SALES	19	61,421,383	66,128,637
GROSS LOSS		(61,421,383)	(66,128,637)
Less: Administrative Expenses	21	473,811	12,544,041
OPERATING LOSS		(61,895,194)	(78,672,678)
Less: Financial Expenses	23	80	58,708
LOSS BEFORE TAXATION		(61,895,274)	(78,731,386)
TAXATION		-	-
NET LOSS FOR THE YEAR		(61,895,274)	(78,731,386)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(61,895,274)	(78,731,386)
EARNINGS PER SHARE - BASIC	24	(7.47)	(9.50)

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


DIRECTOR


CHIEF EXECUTIVE

CHSA

APOLLO TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	SHARE CAPITAL	CAPITAL RESERVE	REVENUE RESERVE		Total
	Issued, Subscribed & Paid Up Capital	Revaluation Surplus	General Reserve	Accumulated Loss	
	Rupees				
Balance as at July 1, 2017	82,847,000	205,508,496	142,000,000	(77,396,374)	352,959,122
Total Comprehensive Loss for the year	-	-	-	(78,731,386)	(78,731,386)
Transfer due to Incremental Depreciation on Revaluation of Property, Plant and Equipment	-	(11,544,928)	-	11,544,928	-
Balance as at June 30, 2018	82,847,000	193,963,568	142,000,000	(144,582,832)	274,227,736
Total Comprehensive Loss for the year	-	-	-	(61,895,274)	(61,895,274)
Transfer due to Incremental Depreciation on Revaluation of Property, Plant and Equipment	-	(9,614,884)	-	9,614,884	-
Balance as at June 30, 2019	82,847,000	184,348,684	142,000,000	(196,863,222)	212,332,462


DIRECTOR


CHIEF EXECUTIVE

CHSA

APOLLO TEXTILE MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
CASH FROM OPERATING ACTIVITIES		
Profit before Taxation	(61,895,274)	(78,731,386)
Adjustments for:		
Depreciation	54,214,194	59,194,169
Financial Expenses	80	58,708
Operating profit before working capital changes	<u>(7,681,000)</u>	<u>(19,478,509)</u>
(Increase)/Decrease in Operating Assets		
Trade Debts	-	5,331,050
Trade Deposits	-	4,735,572
Sales Tax Refundable	-	5,799,844
	<u>(7,681,000)</u>	<u>(3,612,043)</u>
Increase/(Decrease) in Operating Liabilities		
Trade and Other Payables	210,500	4,683,937
Cash generated from/(used in) operations	<u>(7,470,500)</u>	<u>1,071,894</u>
Financial Expenses	(80)	(58,708)
Tax deducted at source/Paid	(4,529)	(8,560)
Net Cash from/(used in) Operating Activities	<u>(7,475,109)</u>	<u>1,004,626</u>
CASH FROM INVESTING ACTIVITIES		
Net Cash from/(used in) Investing Activities	<u>-</u>	<u>-</u>
CASH FROM FINANCING ACTIVITIES		
Loan from Chief Executive	7,475,000	-
Net Cash from/(used in) Financing Activities	<u>7,475,000</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(109)</u>	<u>1,004,626</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,004,626	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>1,004,517</u></u>	<u><u>1,004,626</u></u>

CHSA



DIRECTOR



CHIEF EXECUTIVE

APOLLO TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 CORPORATE AND GENERAL INFORMATION

The company was incorporated in Pakistan on August 9, 1973, as a public company limited by shares under the Companies Act 1913 (now the Companies Act, 2017) and commenced production on November 16, 1976. The Company has principally been engaged in the manufacturing and sale of cotton yarn. The Company is listed on Pakistan Stock Exchange.

The Company had faced financial difficulties due to various factors and due to adverse financial conditions production was stopped in the past. The Company has been unable to meet its financial obligations towards the creditors and financing facilities availed from banks. Various creditors had proceeded with legal action against the Company by filing criminal complaints and recovery suits. With a view to consider the settlement of liabilities, the Company and its creditors had detailed discussions and meetings and as a consequence the Company and its creditors have agreed upon an arrangement for the complete settlement of the liabilities of the Company, thus a Scheme of Arrangement under Section 279 to 283 of the Companies Act, 2017, has been filed with the Court for its sanction, whereby the liabilities will be settled by sale of all fixed assets of the Company as per agreed terms.

The geographical locations and addresses of Company's premises are as under:

- The Registered office is located at C-1, Ground Floor, 16th Commercial Street, Phase - II Extension, DHA, Karachi.
- The Manufacturing Facility is Jasilwahin, Jhang Road, Muzaffargarh, Punjab.

2 BASIS OF PRESENTATION

2.1 Statement of Compliance

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

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

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

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The Company has adopted IFRS 9 and IFRS 15 during the year. The impact of these standards is set out below:

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial instruments and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The company has applied IFRS 9 and the related consequential amendments to IFRS 7 Financial Instruments: Disclosures. The review and assessment of company's existing financial instruments, revealed that the adoption of this standard has not resulted in a change in the measurement of its financial instruments. The application of IFRS 9 has also no impact on the cash flows of the company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards: IAS 18 " Revenue ", IAS 11 " Construction Contracts ", and the related interpretations on revenue recognition. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

CHSA

Since the operations of the Company have been suspended for some time and the Company the adoption of IFRS 15 does not have a material impact on the current and prior year figures as well as the accounting policies applied for the recognition of revenue, accordingly, no restatement of the information presented for prior year is required. However accounting policy for revenue recognition has been suitably worded to comply with IFRS 15.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, 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'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's

2.4 Standards, Interpretations and amendments to Published approved Accounting Standards that are effective but not relevant to the Company

The new Standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2018 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

2.5 Basis of Measurement

These accounts have been prepared under the historical cost convention, as modified by the revaluation of certain items of property, plant and equipment. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for under the accrual basis of accounting.

2.6 Functional and Presentation Currency

These financial statements are presented in Pakistan Rupees, which is the company's functional and presentation currency.

2.7 Use of Estimates and Judgements

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and judgements that have a significant effect on the financial statements, are included in the following notes:-

- * Useful lives and residual values of property and equipment (Note 3.2 and 4)
- * Stores, Spares and Loose Tools (Note 3.4 and 5)
- * Inventories (Note 3.5 and 6)
- * Employees Retiring Benefits - Gratuity Losses (Note 3.1 and 14.1)
- * Deferred Taxation (Note 3.8 and 14.2)
- * Non-Recognition of Contingencies (Note 18)

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Employees' Retiring Benefits

Defined Benefit Plan - Gratuity

The Company has an unfunded gratuity scheme for all of its employees. These benefits are payable to employees on completion of prescribed qualifying period of service under the scheme. Liability in respect of gratuity payable to employees is provided on the basis of actuarial valuation and is charged to the profit and loss statement. Actuarial gains and losses are recognised as per recommendation in the actuarial report. The most recent actuarial valuation was carried out as of June 30, 2009.

CHSA

3.2 Property, Plant and Equipment

These are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Depreciation is charged to profit & loss account by applying the reducing balance whereby the cost of an asset is written off over its useful life at the rates specified in note: 3 to the financial statements. Depreciation is charged from the date the asset is put into operation and discontinued from the date the asset is retired. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred, whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, if any, are taken to the profit and loss account.

3.3 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating lease. Assets held under finance lease are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum leased payments. The corresponding liability to the lessor is shown in the statement of financial position as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charge and reduction of liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charge is charged to statement of profit or loss.

3.4 Stores, Spares and Loose Tools

Stores and Spares are carried at lower of cost and net realisable value. Cost is determined using the moving average method. Provision for obsolete and slow moving items is determined based on management's estimate regarding their future usability.

3.5 Inventories

These have been valued at the lower of cost and net realisable value.

Cost of raw material comprises purchase price including directly related expenses less trade discounts, determined on weighted average basis. Cost of finished goods and Work in Process, represent the annual average manufacturing cost, which consists of prime cost and production overheads. Waste stock is determined by net realisable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessarily to be incurred in order to make the sales.

3.6 Financial Instruments

The Company follows IFRS 9 "Financial Instruments" in respect of financial instruments.

Financial Assets

The standard prescribes three classification and measurement models for financial assets as follows:

- * Measured at Amortised Cost
- * Measured at Fair Value through Other Comprehensive Income (FVTOCI)
- * Measured at Fair Value through Profit or Loss (FVTPL)

Measured at Amortised Cost

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest on the principal

Amortised cost is determined using the effective interest rate method and gains as losses including impairment are recognised in the statement of profit or loss.

For financial assets measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Company is required to measure loss allowance of an amount equal to lifetime ECL or 12 months ECL based on credit risk.

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Measured at Fair Value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at fair value through other comprehensive income, if it is held within a business model whose

Measured at Fair Value through Profit or Loss (FVTPL)

A financial asset that does not meet the criteria for amortised cost or FVTOCI is measured at FVTPL.

Financial Liabilities

The Company classifies financial liabilities as follows:

- * Measured at Amortised Cost
- * Measured at Fair Value through Profit or Loss (FVTPL)

Financial liabilities are measured at amortised cost, as required by para 4.2.1 of IFRS-9, unless they are required to be measured at FVTPL (such as derivatives) vide aforesaid para of IFRS-9 or has opted to measure them at FVTPL as per para 4.2.2 of the IFRS 9

Recognition of Financial Instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Initial Measurement of Financial Instruments

At initial recognition a financial asset or financial liability, except trade receivables, is measured at fair value, plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of financial asset or financial liability.

3.6.1 Trade Receivables

Trade debts are carried at original invoice amount less an estimated amount for expected credit loss, if any. Balances considered bad and irrecoverable are written off when identified. A contract asset or trade receivable is impaired if the credit risk on that financial asset has increased significantly since the initial recognition. For trade receivables, a simplified approach under IFRS 9 to measure expected credit losses using a lifetime expected credit losses amount is

3.6.2 Trade and Other Payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost. Subsequently they are measured at amortised cost.

3.6.3 Borrowings

Markup bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, markup bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.6.4 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Foreign Currencies Translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupee at exchange rates prevailing at the date of transaction or the date when fair values are determined. The Company charges all exchange differences to profit and

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3.8 Taxation

The tax expense for the year comprises current and deferred tax, if any. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted to the balance sheet date.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Cash and Cash Equivalents

Cash and Cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents include cash in hand and with banks.

3.10 Borrowings Cost

Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other markup, interest and other related charges are taken to the profit and loss account currently.

3.11 Revenue Recognition

The Company follows IFRS 15 for recognition of revenue from contracts with customers. The Standard provides a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. If the consideration promised in a contract includes a variable amount such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events, such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

3.12 Proposed Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividends are approved.

3.13 Impairment of Assets

The carrying amounts of assets are reviewed at each closing date to identify circumstances indicating concurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognised in the profit or loss statement. Reversal of impairment loss is restricted to the original cost of the asset.

3.14 Related Party Transactions

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

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4 PROPERTY, PLANT AND EQUIPMENT

For the Year ended June 30, 2019

PARTICULARS	COST / REVALUATION			Rate %	DEPRECIATION			W.D.V AS AT 30.06.19
	AS AT 01.07.18	Addition/ (Deletion)	AS AT 30.06.19		AS AT 01.07.18	FOR THE YEAR	AS AT 30.06.19	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
<u>Owned Assets</u>								
Freehold Land	31,543,750	-	31,543,750	-	-	-	-	31,543,750
Building on Leasehold Land	218,773,416	-	218,773,416	10%	159,711,634	5,906,178	165,617,812	53,155,604
Building on Freehold Land	41,337,086	-	41,337,086	5%	20,205,437	1,056,582	21,262,019	20,075,067
Plant and Machinery	1,590,026,737	-	1,590,026,737	8.22%	1,026,609,751	46,312,876	1,072,922,627	517,104,110
Furniture and Fixtures	1,105,577	-	1,105,577	10%	995,025	11,055	1,006,080	99,497
Computers	4,923,772	-	4,923,772	30%	4,883,378	12,118	4,895,496	28,276
Electric Installations	6,649,648	-	6,649,648	10%	6,000,696	64,895	6,065,591	584,057
Office Equipment	4,976,399	-	4,976,399	10%	4,470,077	50,632	4,520,709	455,690
Air Conditioners	3,363,243	-	3,363,243	10%	2,989,672	37,357	3,027,029	336,214
Vehicles	13,570,879	-	13,570,879	20%	13,134,620	87,252	13,221,872	349,007
<u>Leased Assets</u>								
Plant and Machinery	26,565,032	-	26,565,032	10%	19,812,558	675,247	20,487,805	6,077,227
	1,916,270,507	-	1,942,835,539		1,258,812,848	54,214,194	1,313,027,042	629,808,497

For the Year ended June 30, 2018

PARTICULARS	COST / REVALUATION			Rate %	DEPRECIATION			W.D.V AS AT 30.06.18
	AS AT 01.07.17	Addition/ (Deletion)	AS AT 30.06.18		AS AT 01.07.17	FOR THE YEAR	AS AT 30.06.18	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees
<u>Owned Assets</u>								
Freehold Land	31,543,750	-	31,543,750	-	-	-	-	31,543,750
Building on Leasehold Land	218,773,416	-	218,773,416	10%	153,149,213	6,562,420	159,711,633	59,061,783
Building on Freehold Land	41,337,086	-	41,337,086	5%	19,093,245	1,112,192	20,205,437	21,131,649
Plant and Machinery	1,590,026,737	-	1,590,026,737	8.22%	976,149,001	50,460,750	1,026,609,751	563,416,986
Furniture and Fixtures	1,105,577	-	1,105,577	10%	982,741	12,284	995,025	110,552
Computers	4,923,772	-	4,923,772	30%	4,866,067	17,312	4,883,379	40,393
Electric Installations	6,649,648	-	6,649,648	10%	5,928,590	72,106	6,000,696	648,952
Office Equipment	4,976,399	-	4,976,399	10%	4,413,819	56,258	4,470,077	506,322
Air Conditioners	3,363,243	-	3,363,243	10%	2,948,164	41,508	2,989,672	373,571
Vehicles	13,570,879	-	13,570,879	20%	13,025,555	109,065	13,134,620	436,259
<u>Leased Assets</u>								
Plant and Machinery	26,565,032	-	26,565,032	10%	19,062,283	750,275	19,812,558	6,752,474
	1,916,270,507	-	1,942,835,539		1,199,618,678	59,194,170	1,258,812,848	684,022,691

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	2019 Rupees	2018 Rupees
Allocation of Depreciation		
Cost of Sales	53,950,883	58,885,637
Administrative Expenses	263,311	308,532
	<u>54,214,194</u>	<u>59,194,169</u>

- 4.1 The revaluation of land, buildings and plant and machinery was carried out on May 31, 2005 by M/S Iqbal A. Nanjee & Co., an independent surveyor and revaluer on the basis of market value or depreciated replacement values as applicable.
- 4.2 The carrying amounts of the revalued items of Property, Plant and Equipment, that would have been recognised had the assets been carried under the cost model:

Freehold Land	1,759,076	1,759,076
Building on Leasehold Land	38,203,460	42,448,289
Building on Freehold Land	2,028,083	2,134,824
Plant and Machinery	459,532,920	500,689,606
	<u>501,523,539</u>	<u>547,031,795</u>

5 STORES, SPARES AND LOOSE TOOLS

Stores	16,130,764	16,130,764
Spares	80,256,801	80,256,801
Loose Tools	89,243	89,243
	<u>96,476,808</u>	<u>96,476,808</u>

6 INVENTORIES

Raw Material	298,517,457	298,517,457
Finished Goods	985,083,102	985,083,102
	<u>1,283,600,559</u>	<u>1,283,600,559</u>

- 6.1 The inventories include stocks of raw cotton and cotton yarn misappropriated by the banks and their muqaddams amounting to Rs.250,877,333 and Rs.989,382,159 (2018: Rs.250,877,333 and Rs.989,382,159) respectively. Misappropriated stock is valued as per policy adopted for valuation of inventories.
- 6.2 The Company has filed suits for the recovery of misappropriated stock, against The Bank of Punjab before the Honorable High Court of Punjab, Lahore, and against Standard Chartered Bank (Pakistan) Limited and Soneri Bank Limited before the Honorable High Court of Sindh, Karachi.

7 TRADE DEPOSITS

Margin against Bank Guarantees	11,175,800	11,175,800
Others	34,944,590	34,944,590
	<u>46,120,390</u>	<u>46,120,390</u>

8 OTHER RECEIVABLES

Central Excise Duty	1,253,889	1,253,889
Excise Duty Drawback	656,828	656,828
Others	39,692	39,692
	<u>1,950,409</u>	<u>1,950,409</u>

- 8.1 This represents Central Excise Duty on loans. The matter was decided in the Sindh High Court in favour of the Company, However, Federation of Pakistan has filed an appeal before the Supreme Court of Pakistan against the said order of the Sindh High Court.

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	2019 Rupees	2018 Rupees
9 CASH AND BANK BALANCES		
Cash in Hand	992,558	1,000,000
Cash at Bank	11,959	4,626
	<u>1,004,517</u>	<u>1,004,626</u>

10 SHARE CAPITAL

Authorised

20,000,000 (2018: 20,000,000) Shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
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Issued, Subscribed and Paid up

7,439,700 (2018 : 7,439,700) Ordinary shares of Rs. 10 each issued as fully paid in cash	74,397,000	74,397,000
845,000 (2018 : 845,000) Ordinary shares of Rs. 10 each issued as fully paid up bonus shares	8,450,000	8,450,000
	<u>82,847,000</u>	<u>82,847,000</u>

Capital Management

The main objective of the company, when managing capital is to maintain optimal capital structure to ensure ample availability of finance for its existing operations, to safeguard the company's ability to continue as a going concern and to provide returns for the shareholders.

11 REVALUATION SURPLUS

This surplus resulted in due to revaluation of property, plant and equipment carried out on May 31, 2005. The surplus has been included in the carrying value of the items of property, plant and equipment.

The movement in the revaluation surplus during the year is as follows:

Revaluation Surplus as at July,1	193,963,568	205,508,496
Transferred to Unappropriated Profit due to incremental depreciation	(9,614,884)	(11,544,928)
	<u>184,348,684</u>	<u>193,963,568</u>

12 LONG TERM BORROWINGS - SECURED

From Banks

Term Loans (Note No.12.1)	48,839,289	48,839,289
Demand Loans (Note No. 12.2)	391,859,378	391,859,378
	<u>440,698,667</u>	<u>440,698,667</u>

From Related Party

Director's and Others' Loans (Note No. 12.3)	16,152,586	16,152,586
	<u>456,851,253</u>	<u>456,851,253</u>
Less: Current Portion shown under Current Liabilities	(63,936,000)	(63,936,000)
	<u>392,915,253</u>	<u>392,915,253</u>

- 12.1** Term Finance Facilities were obtained by the Company from banks which carries mark up at the rate of 6 months KIBOR plus 1.5% to 4% (2018: 6 months KIBOR plus 1.5% to 4%) which are repayable in 10 to 73 equal instalments on half yearly, quarterly and monthly basis. The facilities are secured against pari passu charge over fixed assets of the Company including land, building and plant and machinery.

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12.2 Demand Finance Facilities were obtained by the Company from banks which carries mark up at the rate of 3 months average KIBOR plus 3.9% to 6 months KIBOR plus 4% (2018: 3 months average KIBOR plus 3.9% to 6 months KIBOR plus 4%) which are repayable in 16 to 20 equal instalments on quarterly basis. The facilities are secured against pari passu charge and first mortgage on all present and future assets of the Company including land, building and plant and machinery.

12.3 Directors' loan is mark up free and repayable after one year.

13 FINANCE LEASE LIABILITY

The amount of the future lease rentals and the periods during which they become due are:

	2019		2018	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	----- Rupees -----			
Not later than one year	24,454,029	13,719,441	24,454,029	13,719,441
Later than one year	-	5,545,043	-	5,545,043
	24,454,029	19,264,484	24,454,029	19,264,484
Less: Deferred Finance Charge	(5,189,545)	-	(5,189,545)	-
	19,264,484	19,264,484	19,264,484	19,264,484
Less: Current Portion	(13,719,441)	(13,719,441)	(13,719,441)	(13,719,441)
	5,545,043	5,545,043	5,545,043	5,545,043

This facility had been obtained by the Company from a leasing company which carries effective interest rate of 13.83% (2018: 13.83%). It is secured against demand promissory note and personal guarantee of one sponsoring director.

14 DEFERRED LIABILITIES

Employees' Retiring Benefits - Gratuity (Note No. 14.1)	12,270,666	12,270,666
Deferred Taxation (Note No. 14.2)	35,010,797	35,010,797
	<u>47,281,463</u>	<u>47,281,463</u>

14.1 Employees' Retiring Benefits - Gratuity

	Present Value of Defined Benefit Obligation	Plan Assets	Total
Opening Liability	12,270,666	-	12,270,666
Current Service Cost	-	-	-
Past Service Cost	-	-	-
Interest Income or Expense	-	-	-
Actuarial Gains and Losses	-	-	-
	<u>12,270,666</u>	<u>-</u>	<u>12,270,666</u>

14.2 Deferred Taxation

Tax Effect of Taxable Temporary Differences

Accelerated Tax Depreciation	4,439,977	4,439,977
Revaluation surplus	34,661,493	34,661,493
	<u>39,101,470</u>	<u>39,101,470</u>

Tax Effect of Deductible Temporary Differences

Liability for Gratuity	(3,803,906)	(3,803,906)
Finance Lease of Assets	(286,767)	(286,767)
	<u>(4,090,673)</u>	<u>(4,090,673)</u>
	<u>35,010,797</u>	<u>35,010,797</u>

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Reconciliation of Deferred Taxation

	Accelerated Tax Depreciation	Revaluation Surplus	Liability for Gratuity	Finance Lease of Assets	Total
Opening Liability	4,439,976	34,661,493	(3,803,906)	(286,767)	35,010,796
Charged / (Credited) to Profit or Loss	-	-	-	-	-
	<u>4,439,976</u>	<u>34,661,493</u>	<u>(3,803,906)</u>	<u>(286,767)</u>	<u>35,010,796</u>

Since the Company is not in operation and unused tax losses are not expected to be realised, therefore deferred tax asset amounting to Rs.30.465 million on such losses has not been recognised.

	2019 Rupees	2018 Rupees
15 TRADE AND OTHER PAYABLES		
Trade Creditors	13,500,819	13,500,819
Accrued Expenses	5,185,500	4,975,000
Unclaimed Dividend (Note No. 15.1)	2,331,670	2,331,670
Excise Duty	35,014	35,014
Others	10,229,232	10,229,232
	<u>31,282,235</u>	<u>31,071,735</u>
Due to Related Party (Note No. 15.2)	7,475,000	-
	<u>38,757,235</u>	<u>31,071,735</u>

15.1 This represents dividend payable to Consolidated Overseas Investment & Finance Establishment. This amount is unpaid on the instructions of the said establishment and dividend declared in 2010 and unpaid due to the orders of the Honorable Sindh High

15.2 This amount has been obtained from the Chief Executive, to meet expenses.

16 ACCRUED MARK UP**Due to Banks**

Long Term Borrowings	111,002,851	111,002,851
Short Term Borrowings	128,709,368	128,709,368
	<u>239,712,219</u>	<u>239,712,219</u>

17 SHORT TERM BORROWINGS - SECURED

Running Finance	<u>1,153,888,574</u>	<u>1,153,888,574</u>
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These represents Finance Facilities obtained by the Company from banks which carries mark up ranging from 5.3% to 15.86% (2018: 5.3% 15.86%) per annum payable on quarterly basis. The facilities are secured against pari passu charge over current assets of the Company, pledge of raw cotton yarn, first pari passu hypothecation charge over inventories of the Company, lien on export acceptable LC and secured by personal guarantees of the sponsoring directors.

18 CONTINGENCIES AND COMMITMENTS**Contingent Liabilities**

Bank Guarantees issued to the Collector of Customs	12,900,000	12,900,000
Claim by The Bank of Punjab (Note No. 17.1)	495,321,000	495,321,000
Claim by Standard Chartered Bank (Pakistan) Ltd (Note No. 17.2)	538,541,040	538,541,040
Claim by NIB Bank Ltd (Note No. 17.3)	363,040,038	363,040,038
Claim by Soneri Bank Ltd (Note No. 17.4)	559,534,188	559,534,188
Claim by Summit Bank Ltd (Note No. 17.5)	57,180,625	57,180,625
Claim by National Bank of Pakistan Ltd (Note No. 17.7)	2,134,824	2,134,824
	<u>98,559,238</u>	<u>98,559,238</u>
	<u>2,127,210,953</u>	<u>2,127,210,953</u>

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Contingent Assets	2019 Rupees	2018 Rupees
Claim on The Bank of Punjab (Note No. 17.1)	2,421,186,069	2,421,186,069
Claim on Standard Chartered Bank (Pakistan) Ltd (Note No. 17.2)	12,093,523,802	12,093,523,802
Claim on NIB Bank Ltd (Note No. 17.3)	3,244,043,924	3,244,043,924
Claim on Soneri Bank Ltd (Note No. 17.4)	3,145,128,891	3,145,128,891
Claim on Summit Bank Ltd (Note No. 17.5)	4,626,542,007	4,626,542,007
Claim on National Bank of Pakistan Ltd (Note No. 17.7)	13,261,641,097	13,261,641,097
	<u>40,919,276,743</u>	<u>40,919,276,743</u>

- 18.1 The Bank of Punjab had filed Suit No.Cos 06 against the Company for the recovery of Rs.495,321,000 before the Honorable Lahore High Court. The Company had filed Suit No. 59/2008 against The Bank of Punjab to the tune of Rs.2,421,186,069, before the Honorable Lahore High Court, for the recovery of losses and damages occasioned to the Company in view of the unauthorised removal of the pledged goods by the said bank and their Muqaddam and for the recovery of money illegally charged and recovered from the accounts of the Company and losses occurred due to the unfair practice of the bank.
- 18.2 Standard Chartered Bank (Pakistan) Ltd had filed Suit No. B-78/2009 for the recovery of Rs.509,286,662 and Suit No.B-1511/2009 for the recovery of Rs.29,254,378, before the Honorable High Court of Sindh, Karachi. The Company had filed Suit No. B-91/2008 against Standard Chartered Bank (Pakistan) Ltd to the tune of Rs.4,447,144,670 and Suit No. B-78 for Rs.7,646,379,132, before the Honorable Sindh High Court, Karachi for the recovery of losses and damages occasioned to the Company in view of the unauthorised removal of the pledged goods by the said bank and their Muqaddam and for the recovery of money illegally charged and recovered from the accounts of the Company by the bank.
- 18.3 NIB Bank Ltd had filed Suit No.B-59/2008 against the Company for the recovery of Rs.363,040,038 before the Honorable Sindh High Court, Karachi. The Company had filed Suit No. B-77/2008 against NIN Bank Ltd to the tune of Rs.3,244,043,924, before the Honorable Sindh High Court, Karachi, as the bank contravened the terms and conditions of the agreement made between the
- 18.4 Soneri Bank Ltd had filed Suit No.B-58/2008 against the Company for the recovery of Rs.559,534,188 before the Honorable Sindh High Court, Karachi. The Company had filed applications for leave to defend against the bank to the tune of Rs.3,145,128,891, before the Honorable Sindh High Court, Karachi.
- 18.5 Summit Bank Ltd had filed Suit No.B-55/2008 against the Company for the recovery of Rs.57,180,625 before the Honorable Sindh High Court, Karachi. The Company had filed Suit No. B-118/2009 against NIN Bank Ltd to the tune of Rs.4,626,542,007, before the Honorable Sindh High Court, Karachi.
- 18.6 National Bank of Pakistan Ltd had filed Suit No.B-115/2008 against the Company for the recovery of Rs.98,559,238 before the Honorable Sindh High Court, Karachi. The Company had filed applications for leave to defend against the bank to the tune of Rs.13,261,641,097, before the Honorable Sindh High Court, Karachi.

Based on the opinion of the Company's legal counsel representing the above matters in the courts, the chances of Company's success in all cases are fair and bright.

19 COST OF SALES

Opening Inventory - Finished Goods	985,083,102	985,083,102
Cost of Goods Manufactured (Note No. 20)	61,421,383	66,128,637
Closing Inventory - Finished Goods	(985,083,102)	(985,083,102)
	<u>61,421,383</u>	<u>66,128,637</u>

20 COST OF GOODS MANUFACTURED

Raw Material Consumed

Opening Inventory - Raw Materials	298,517,457	298,517,457
Purchases	-	-
Closing Inventory - Raw Material	(298,517,457)	(298,517,457)
	<u>-</u>	<u>-</u>

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Production Expenses

Salaries, wages and benefits (Note 22)
Security Expenses
Depreciation

2019
Rupees

2018
Rupees

-	-
7,470,500	7,243,000
53,950,883	58,885,637
61,421,383	66,128,637
61,421,383	66,128,637

21 ADMINISTRATIVE EXPENSES

Directors Remuneration (Note 22)
Salaries, wages and benefits (Note 22)
Rent, rates and taxes
Postage and Telephone
Printing and Stationery
Travelling and Conveyance
Legal and professional charges
Fee and subscription
Repairs and Maintenance
Vehicle Running and Maintenance
Auditors' remuneration (Note 21.1)
Miscellaneous expenses
Depreciation

-	4,800,000
-	2,571,185
-	506,840
-	47,122
-	17,498
-	235,500
-	3,183,465
-	68,225
-	127,900
-	-
210,500	210,500
-	467,274
263,311	308,532
473,811	12,544,041

21.1 Auditors' Remuneration

Annual Audit Fee
Half Yearly Review

210,500	210,500
-	-
210,500	210,500

22 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES***Chief Executive***

Managerial Remuneration

-	4,800,000
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Directors

Managerial Remuneration

-	-
---	---

Number of Persons

-	-
---	---

Executives

Managerial Remuneration

-	-
---	---

Number of Persons

-	-
---	---

23 FINANCIAL EXPENSES

Bank Charges and Commission

80	58,708
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24 EARNINGS PER SHARE

	2019 Rupees	2018 Rupees
Net loss for the year	(61,895,274)	(78,731,386)
Number of shares outstanding during the year	8,284,700	8,284,700
Earnings per share - Basic	(7.47)	(9.50)

25 FINANCIAL INSTRUMENTS BY CATEGORY

Amortised Cost	FVTPL/FTOCI	Total
----- Rupees -----		

As at June 30, 2019***Financial Assets***

Long Term Deposit	67,167,249	-	67,167,249
Trade Debts	1,128,581	-	1,128,581
Trade Deposits	46,120,390	-	46,120,390
Other Receivables - Others	39,692	-	39,692
Cash and Bank Balances	1,004,517	-	1,004,517
	<u>115,460,429</u>	<u>-</u>	<u>115,460,429</u>

Financial Liabilities

Long Term Borrowings	456,851,253	-	456,851,253
Lease Liabilities	19,264,484	-	19,264,484
Short Term Borrowings	1,153,888,574	-	1,153,888,574
Accrued Mark Up	239,712,219	-	239,712,219
Trade and Other Payables	38,757,235	-	38,757,235
	<u>1,908,473,765</u>	<u>-</u>	<u>1,908,473,765</u>

As at June 30, 2018***Financial Assets***

Long Term Deposit	67,167,249	-	67,167,249
Trade Debts	1,128,581	-	-
Trade Deposits	46,120,390	-	46,120,390
Other Receivables - Others	39,692	-	39,692
Cash and Bank Balances	1,004,626	-	1,004,626
	<u>115,460,538</u>	<u>-</u>	<u>114,331,957</u>

Financial Liabilities

Long Term Borrowings	456,851,253	-	456,851,253
Lease Liabilities	19,264,484	-	19,264,484
Short Term Borrowings	1,153,888,574	-	1,153,888,574
Accrued Mark Up	239,712,219	-	239,712,219
Trade and Other Payables	31,071,735	-	31,071,735
	<u>1,900,788,265</u>	<u>-</u>	<u>1,900,788,265</u>

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26 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms' length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

26.1 Fair Value Hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the financial instruments are classified into the following three levels:

- Level - 1** fair value measurements are those inputs derived from unadjusted quoted prices in active markets for identical assets and liabilities.
- Level - 2** fair value measurements are those inputs determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.
- * Adjusted quoted active market prices
 - * Quoted price for a similar asset in an active market
 - * There are no significant unobservable inputs
- Level - 3** fair value measurements are those inputs derived from valuation techniques that include inputs which are not based on observable market data. Examples are:
- * Discounted cash flows
 - * Depreciated replacement cost

The Company does not hold any financial instrument, which can be classified in any of the above levels. Financial assets and liabilities are not measured at fair value, because the carrying value of all financial assets and liabilities approximate their fair value.

Financial assets and liabilities are not measured at fair value because the carrying value of all financial assets and liabilities approximate their fair value, except short term investments which have been measured at fair value.

27 FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT

27.1 Credit Risk

Credit risk represents the accounting loss that would be recognised if counter parties fail completely to perform as contracted.

Exposure to Credit Risk

The company is exposed to credit risk on the following financial assets. The carrying amount of these financial assets represents the maximum credit exposure at the reporting date, which is detailed as follows:

Long Term Deposit	67,167,249	67,167,249
Trade Debts	1,128,581	1,128,581
Trade Deposits	46,120,390	46,120,390
Other Receivables - Others	39,692	39,692
Cash at Bank	11,959	4,626
	<u>114,467,871</u>	<u>114,460,538</u>

Concentration of Credit Risk

Concentration of credit risk arises from exposure to a single debtor, or when a number of counter parties are engaged in similar business activities or have similar economic features that would cause the ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

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27.2 Market Risk

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

27.2.1 Interest Rate Risk

Interest rate risk arises from the possibility of changes in interest rates which affect the value of financial instruments or cash flows of a financial instrument. The company is not exposed to interest rate risk as there interest bearing assets and all interest bearing liabilities had been under litigation and a Scheme of Arrangement under Section 279 to 283 of the Companies Act, 2017, has been filed with the Court for its sanction, whereby the liabilities will be settled by sale of all fixed assets of the Company as per agreed terms.

27.3 Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The disclosure of liquidity risk is irrelevant as the Company has suspended its operations and a Scheme of Arrangement under Section 279 to 283 of the Companies Act, 2017, has been filed with the Court for its sanction, whereby the liabilities will be settled by sale of all fixed assets of the Company as per agreed terms.

Contractual maturities of financial liabilities have been expired as they have been under litigation. However the position of financial liabilities is as follows:

Payable after one year	Payable within one year	Total
----- Rupees -----		

Non-Derivative Financial Liabilities as at June 30, 2019

Long Term Borrowings	392,915,253	63,936,000	456,851,253
Lease Liabilities	5,545,043	13,719,441	19,264,484
Short Term Borrowings	-	1,153,888,574	1,153,888,574
Accrued Mark Up	-	239,712,219	239,712,219
Trade and Other Payables	-	38,757,235	38,757,235
	398,460,296	1,510,013,469	1,908,473,765

Non-Derivative Financial Liabilities as at June 30, 2018

Long Term Borrowings	392,915,253	63,936,000	456,851,253
Lease Liabilities	5,545,043	13,719,441	19,264,484
Short Term Borrowings	-	1,153,888,574	1,153,888,574
Accrued Mark Up	-	239,712,219	239,712,219
Trade and Other Payables	-	31,071,735	31,071,735
	398,460,296	1,502,327,969	1,900,788,265

28 RELATED PARTY TRANSACTIONS

Related parties comprise of group companies (associates), directors, major shareholders, their close family members and key management personnel. Transactions with related parties during the year are as under:

<u>Name of Related Party</u>	<u>Nature of Transactions</u>	2019 Rupees	2018 Rupees
Abdul Rehman Zahur - CEO	Loan received	<u>7,475,000</u>	<u>-</u>

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29 FIGURES

Figures have been rounded off to the nearest rupee. Some of the items for previous year have been reclassified, for more appropriate presentation, as under:

NATURE	RECLASSIFICATION		Rupees
	FROM	TO	
Advance Income Tax	Loans and Advances	Advance Income Tax	<u>14,109,308</u>

30 NUMBER OF EMPLOYEES

Total employees of the Company at year end

- -

Average employees of the Company during the year

- -

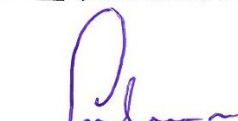
31 DATE OF AUTHORISATION

These financial statements were authorised for issue on _____ by the Board of Directors of the Company.

CHSA



DIRECTOR



CHIEF EXECUTIVE