33rd ANNUAL REPORT

2019

AL-QADIR

Textile Mills Limited

6-Km, Jhelum Road, Chakwal

CONTENTS

VISION

Al-Qadir Textile Mills Limited is the largest exporter of cotton yarn in Rawalpindi Division, delivering quality products through innovative technology and effective resource management, maintaining high ethical and professional standards.

Pursuing its objectives, Al-Qadir Textile Mills Limited has over the years, preserved to attain the present enviable position, with its products competing at home and abroad.

We work to achieve commitments, integrity, fairness and teamwork into every aspect of our business dealings.

MISSION

Our mission is to keep ahead of our competitors. We can not be complacent about our achievements. Everyone from top management to workers is driven by this mission and engaged in applying resources to continual product improvement.

Given its vision and its focused strategy, Al-Qadir Textile Mills Limited, can look forward to as bright a future as its past.

Better utilization of man-power, continuous improvement in quality, customer's satisfaction is our mission.

COMPANY INFORMATION

BOARD OF DIRECTORS:	
CHAIRMAN	MR. MUHAMMAD BASHIR RAJA
CHIEF EXECUTIVE OFFICER	MR. GHULAM ALI RAJA
DIRECTORS	MR. ASIF ALI RAJA MR. ADIL BASHIR RAJA MST. TASNEEM AKHTAR MST. YASMEEN BEGUM MST. ASBAH RUBINA MR. GUL SHER KHAN
AUDIT COMMITTEE:	
CHAIRMAN	MR. GUL SHER KHAN
MEMBERS	MST. TASNEEM AKHTAR MST. YASMEEN BEGUM MST. ASBAH RUBINA
HUMAN RESOURCE AND REMUNERATION COMMITTEE	
CHARIMAN	MR. GUL SHER KHAN
MEMBERS	MR. GHULAM ALI RAJA MST. ASBA RUBINA
CHIEF FINANCIAL OFFICER & COMNPANY SECRETARY	MR. ZAHEER AHMED AKMAL
AUDITORS	NASIR JAVED MAQSOOD IMRAN CHARTERED ACCOUNTANTS, ISLAMABAD
BANKERS:	BANK AL-FALAH LIMITED
REGISTERED OFFICE	RAJA HOUSE, NEAR MAKKI MASJID, CHAKWAL, PAKISTAN TEL: 0543-540833 FAX: 0543-540834 URL: www.aqtextile.com E-MAIL: info@aqtextile.com
HEAD OFFICE & MILLS	6-K.M. JHELUM ROAD, CHAKWAL
SHARE REGISTRARS	M/S F.D REGISTRAR SERVICES (SMC-PVT) LTD., 17TH FLOOR, SAIMA TRADE BLOCK – A I.I. CHUNDRIGAR ROAD, KARACHI.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the Company will be held at Mills Office 6-K.M Jhelum Road, Chakwal on Monday i.e. October 28, 2019 at 10:00 A.M to transact the following business.

1. To confirm the Minutes of the 32nd Annual General Meeting held on October 27, 2018.
2. To receive and adopt the Audited Accounts of the company for the year ended 30th June 2019 and the Directors and Auditor's Report thereon.
3. To approve and appoint the "External Auditors" for the year 2019-20 and to fix their remuneration. The retiring auditor M/s Nasir Javed Maqsood Imran, Chartered Accountants, Islamabad being eligible, offer themselves for re-appointment.
4. To consider any other business with the permission of the chair.

Chakwal
October 05, 2018

By order of the Board
Zaheer Ahmed Akmal
Company Secretary

NOTICES:

1. The share transfer books of the company will remain closed from 21st October to 28th October 2019 (both days inclusive). Transfer received in order at the Registrars of the Company i.e., M/s Your Secretary (Pvt.) Limited, 1020, Uni Plaza, I.I. Chundrigar Road, Karachi.

2. A member entitled to attend and vote all the general meetings, is entitled to appoint another member as proxy to attend and vote for his/her behalf. Complete proxy form must be received at Company's Registrar or the Registered Office of the Company, not less than 48 hours before the time of the meeting.

3. Any individual beneficial owner of CDC, entitled to vote at this meeting must bring his/her original Computerized National identity Card with him/her to prove his/her identity and in case of proxy, a copy of shareholders' attested Computerized National Identity Card must be attached with the proxy form.

4. Shareholders are requested to promptly notify the Company or the Registrars of the Company of any change in their address.

DIRECTOR'S REPORT TO THE MEMBERS

In the Name of Allah, Most Gracious, Most Merciful

The Directors of your Company have the honor to present annual report of your Company together with the audited financial statement and auditors' report thereon for the year ended June 30, 2019.

Performance of Company

Your company has incurred after tax profit of Rs. 125.792 million as compared to after tax profit of Rs. 123.025 million for the corresponding last year. Despite the high cost of business and artificially maintained high parity of Pak Rupee, the adverse geo-political and security situation had been taking their toll on the textile sector during last four to five years; the overall performance of your company had improved significantly. The management of the company had taken every step in the right direction to improve performance and better utilization of resources that ultimately improve the plant capacity and the sales in one hand and reduce the cost on the other. The turnover have increased from Rs. 1.861 billion to Rs. 2.387 billion in 2018-19 resulting increase in profitability of the company.

Earnings Per Share (EPS)

The earning per share (EPS) of the company for the year 2019 remained at Rs. 16.64 (2018: Earning per share was Rs. 16.27).

Principal Activity

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

Principal Risks and Uncertainties

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks. The Company's ability to continually assess market conditions and then react decisively, allow the Company to manage risks responsibility and take opportunities to strengthen the position of the Company when they arise. The Company's principal financial liabilities comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short term deposits, other receivables and cash and bank balances that arise directly from its operations. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Material Changes and Commitments:

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

Adequacy of 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.

Future Outlook

The current scenario of Pakistan Textile industry is still very unclear. The Government has implemented GST regime and CNIC condition despite stiff opposition by textile industry. This resulted in further erosion of working capital and lukewarm yarn demand. Also, US $ is being depreciated regularly to keep it to its actual market value against Pak rupee, resulting in increase in energy prices.

We demand some steps by the Government to return to profitability like timely payment of sales tax refunds, removal of anti-dumping duty on imported polyester, friendly environment for genuine investors, waiver of CNIC condition etc.

Keeping in view technological up gradation in textile Spinning Sector to achieve most efficient and cost effective production facilities which makes us more comparative in current yarn market, the management of your company continues to make best efforts, through strategy of expanding and diversifying product range and targeting new and growing markets.

CORPOPRAT & FINANCIAL REPORTING FRAMEWORK:

We are pleased to report that your company has taken necessary steps to comply with the provisions of Code of Corporate Governance as amended in 2013 and incorporated in the listing regulations of the Stock Exchanges.

- The financial statements for the year ended June 30, 2019 present fairly it state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS) as applicable in Pakistan has been followed in preparation of financial statements; and departure, if any, has been adequately disclosed.
- The system of internal control is sound in design. The process of monitoring will continue and control strengthened where ever considered necessary;
- There are no significant doubts upon the company's ability to continue as a going concern.
- Key operating and financial data of last six years is summarized.
- There are no outstanding statutory payments on accounts of taxes, duties, levies or charges except those reflected in the audited accounts.
- The company operated an un-funded and unapproved gratuity scheme. Provision is made annually to cover the obligations under the scheme. The latest actuarial valuation has been carried out as at June 30, 2018.
- During the year, six meetings of the Board of Directors were held and the attendance by each member is given at annexure.

Name of Directors	**No. of Board Meeting Attended**
Mr. Ghulam Ali Raja	4
Mr. Mohammed Bashir Raja	7
Mr. Asif Ali Raja	7
Mr. Adil Bashir Raja	7
Mr. Gul Sher Khan	5
Mst. Tasneem Akhtar	6
Mst. Yasmeen Begum	6
Mst. Asbah Rubina	5

(The Board granted leave of absence to the directors who could not attend the meetings due to their pre-occupation.)

- During the year 5 meetings of the Audit Committee were held attendance by each director is as follows.

Mr. Gul Sher Khan	Chairman	5
Mst. Tasneem Akhtar	Member	5
Mst. Yasmeen Begum	Member	4
Mst. Asba Rubina	Member	4

- The pattern of shareholding as on June 30, 2019 and its disclosure as required in the Code of Corporate Governance is annexed with this report.

- During the year one meeting of the Human Resource and Remuneration Committee was held and attended by all the members.

- Code of conduct has been developed and are communicated and acknowledged by each Director and employee of the Company.

- 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.

Corporate Social Responsibility

The company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently 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 is constantly upgrading their safety and living facilities. Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipment's have been placed at sites as well as head office of the Company. Regular drills are performed to ensure efficiency and efficacy of fire safety equipment's.

AUDITORS

The present auditors of the Company M/S Nasir Javed Maqsood Imran, Chartered Accountants, Islamabad, retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended re-appointment of the same auditors.

ACKNOWLEDGEMENT

The directors of the company wish to place on record their appreciation for the efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. They also thanks its shareholder, customers banks and financial institutions for their continued support extended by them in smooth running of company's operations and hope that their cooperation will be continued with the same spirit in the years to come.

CHAKWAL
October 9, 2019

GHULAM ALI RAJA
(Chief Executive Officer)

NASIR JAVAID MAQSOOD IMRAN
Chartered Accountants
CPAAI

Islamabad Office:
Office # 12 & 13 3rd Floor
Fazal Arcade,
F-11 Markaz, Islamabad.
Tel: 051-2228138
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njmiconsultants@gmail.com
islamabadoffice@njmi.net

INDEPENDENT AUDITOR'S REPORT

To the members of Al-Qadir Textile Mills Limited

Report on the Audit of the Financial Statements

Qualifiedopinion

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

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

Basis for QualifiedOpinion

As at the reporting date, the Company has gross trade debtors of Rs. 54.76 million (2018: Rs. 18.50 million). Pursuant to the applicability of International Financial Reporting Standard 9: "Financial Instruments" (IFRS 9), during the year, the Company has not carried out an assessment of expected credit loss relating to these receivables. Accordingly, we are unable to determine whether any adjustment might be necessary to the amount of trade debtors and correspondingly the expected credit loss in current and prior periods.

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 and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Karachi Office:
904, 9th Floor, Q.M. House, Plot No. 11/2, Ellander Road, Opp. Shaheen Complex, Off. I.I Chundrigar Road, Karachi Pakistan
Tel: 021-32212382, 32212383, 32211516, Fax: 021-32211515

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Place:

Date: October 09, 2019

NASIR JAVAID MAQSOOD IMRAN
CHARTERED ACCOUNTANTS

AL-QADIR TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales	22	**2,385,697,605**	1,860,614,193
Cost of sales	23	**(2,142,413,296)**	(1,672,732,692)
Gross profit		**243,284,309**	187,881,501
Selling and distribution expenses	24	**485,730**	1,419,282
Administrative expenses	25	**22,676,276**	21,524,423
Other operating expenses	26	**14,926,294**	10,916,432
		(38,088,300)	(33,860,136)
Profit from operations		**205,196,009**	154,021,365
Other operating Income	27	**4,357,067**	3,698,260
		209,553,075	157,719,625
Finance cost	28	**(16,387,585)**	(18,379,706)
Profit before taxation		**193,165,490**	139,339,919
Taxation	29	**(67,373,882)**	(16,315,062)
Profit after taxation		**125,791,608**	123,024,857

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

AL-QADIR TEXTILE MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
SHARE CAPITAL AND RESERVES			
Share capital	6	**75,600,000**	75,600,000
Capital reserves			
Share deposit money	7	**15,922,750**	15,922,750
Surplus on revaluation of fixed assets	8	**200,165,370**	213,129,933
Revenue reserves			
Accumulated profit		**384,464,297**	254,714,805
Total equity		**676,152,417**	559,367,488
NON-CURRENT LIABILITIES			
Deferred liabilities	9	**86,170,348**	80,676,154
CURRENT LIABILITIES			
Trade and other payables	10	**129,865,633**	115,891,104
Accrued mark-up		**89,262**	2,123,223
Short term borrowings	11	**4,386,427**	4,386,427
Unclaimed dividend		**1,526,097**	1,526,097
Provision for taxation	12	**55,752,403**	15,160,496
		191,619,822	139,087,346
CONTINGENCIES AND COMMITMENTS	13	**-**	-
		953,942,586	779,130,988
NON-CURRENT ASSETS			
Property, plant and equipment	14	**516,549,590**	543,212,584
Long term deposits	15	**444,599**	444,599
		516,994,189	543,657,183
CURRENT ASSETS			
Stores, spares and loose tools	16	**16,230,473**	9,661,070
Stock in trade	17	**92,040,064**	126,597,400
Trade debts - considered good	18	**54,757,433**	18,507,492
Advances	19	**25,626,167**	20,001,419
Tax refunds due from the government	20	**21,601,289**	31,286,865
Cash and bank balances	21	**226,692,970**	29,419,558
		436,948,396	235,473,805
		953,942,586	779,130,989

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE   DIRECTOR

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

	Share capital	Capital reserves		Revenue reserves	Total
		Share deposit money	Surplus on revaluation of fixed assets	Accumulated profit	
	-----	-----	-----Rupees-----	-----	-----
BALANCE AS AT JUNE 30, 2017	75,600,000	15,922,750	228,654,142	125,513,273	445,690,165
Total comprehensive income for the year					
Profit for the year	-	-	-	123,024,857	123,024,857
Other comprehensive income for the year	-	-	-	(40,976)	(40,976)
	-	-	-	122,983,881	122,983,881
Transferred from surplus on revaluation of fixed assets-adjustment due to change in tax rate	-	-	(9,306,558)	-	(9,306,558)
Surplus realized on incremental depreciation net of deferred tax	-	-	(6,217,651)	6,217,651	-
BALANCE AS AT JUNE 30, 2018	**75,600,000**	**15,922,750**	**213,129,933**	**254,714,805**	**559,367,488**
Total comprehensive income for the year					
Profit for the year	-	-	-	125,791,608	125,791,608
Other comprehensive income for the year	-	-	-	(458,551)	(458,551)
	-	-	-	125,333,057	125,333,057
Change of deffered tax	-	-	(8,548,128)	-	(8,548,128)
			-	-	-
Surplus realized on incremental depreciation net of deferred tax	-	-	(4,416,435)	4,416,435	-
BALANCE AS AT JUNE 30, 2019	**75,600,000**	**15,922,750**	**200,165,369**	**384,464,297**	**676,152,417**

CHIEF EXECUTIVE

DIRECTOR

AL-QADIR TEXTILE MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	30	**205,550,847**	226,252,893
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(6,169,200)**	(8,665,018)
Capital work in progress		**(2,108,235)**	-
Net cash used in investing activities		**(8,277,435)**	(8,665,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	(204,240,752)
Loan from directors-net		-	3,838,400
Net cash generated from financing activities		-	(200,402,352)
Net decrease in cash and cash equivalents		**197,273,412**	17,185,523
Cash and cash equivalents at the beginning of the year		**29,419,558**	12,234,034
Cash and cash equivalents at the end of the year		**226,692,970**	29,419,558

The annexed notes from 1 to 38 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR

1. THE COMPANY AND ITS OPERATIONS

AL-QADIR TEXTILE MILLS LIMITED (the Company) is a public limited company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is engaged in the business of textile spinning.

Geographical Location of Head office and business units:	
Registered Office	Raja house, near Makki Masjid, Chakwal
Plant Unit 01 & Unit 02	6 K.m. Jhelum road, Chakwal

2. BASIS OF PREPARATION

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for property, plant and equipment which are carried at revalued amounts and retirement benefits which have been recognized at present value determined by actuary.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017. In case requirements differ, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

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

Following standards, interpretations and amendments to published approved accounting standards are

mandatory for the Company's accounting periods beginning on or after 01 July 2018.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- Annual Improvements to IFRSs: 2014 2016 Cycle

The company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9. Most of other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. The adoption of IFRS 9 has following reclassification effect on these accounts apart from its impairment requirements implications which the company has not applied yet.

Re-classifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement effects of financial instruments of the Company were as follows:

Classification effect:

	Measurement category		Carrying amounts	
	Original	New	Original	New
	(IAS 39)	(IFRS 9)	--------------Rupees--------------	
Non-current financial assets				
Long term deposits	Loans and receivables	Amortized cost	444,599	444,599
Current financial assets				
Trade debts - considered good	Loans and receivables	Amortized cost	18,507,492	18,507,492
Advances	Loans and receivables	Amortized cost	20,001,419	20,001,419
Cash and bank balances	Loans and receivables	Amortized cost	29,419,558	29,419,558
Non-current financial liabilities				
Deferred liabilities	Amortized cost	Amortized cost	80,676,154	80,676,154
Current financial liabilities				
Trade and other payables	Amortized cost	Amortized cost	115,891,104	115,891,104
Accrued mark-up	Amortized cost	Amortized cost	2,123,223	2,123,223
Short term borrowings	Amortized cost	Amortized cost	4,386,427	4,386,427
Unclaimed dividend	Amortized cost	Amortized cost	1,526,097	1,526,097

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

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
- IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019)
- Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019)
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020)

3.3 Standards and amendments to published approved accounting standards that are not yet effective and are not relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting standards require management to make judgements, estimates and assumptions that affect the application of accounting 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision effects only that period, or in the period of the revision and future periods. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes. The areas where assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

i) **Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependant on conditions at existing balance sheet date.

ii) **Useful lives, patterns of economic benefits and impairments**

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might effect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

iii) **Inventories**

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

iv) **Taxation**

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

v) **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in Note 9.1 to the financial statement for valuation of present value of defined benefit obligations.

vi) **Future estimation of export sales**

Deferred tax calculation has been based on estimates of future ratio of export and local sales.

vii) **Contingencies and commitments**

The assessment of contingencies and commitments inherently involves the exercise of significant judgement as the outcome of future events cannot be predicted with certainty. The Company, based on the availability of latest information, estimates the value of contingent assets and liabilities which may differ on occurrence / non-occurrence of the uncertain future events.

viii) **Provision for doubtful debts**

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Employee benefits

Defined benefit plans

The Company operates an unfunded gratuity for all of its permanent employees, who attain the minimum qualification period for entitlement to gratuity. Provision is made annually to cover the obligation on the basis of actuarial valuation and charged to income currently. The most recent actuarial valuation was carried out on June 30, 2018 using the Projected Unit Credit Method.

All actuarial gains and losses are recognised in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

5.2 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation income. The charge for current year is calculated using prevailing tax rates or tax rate expected to apply to the profit for the year if enacted. The charge for the current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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 corresponding tax bases in the computation of the taxable profits. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

The carrying amount of deferred tax assets is reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of deferred tax asset to be utilized.

5.3 Functional and presentation currency

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 or rates fixed under the Exchange Rate Absorption Scheme of State Bank of Pakistan or forward exchange rate booking, 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 known monetary items are translated in Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

5.4 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work-in-process are stated at cost / revalued amount less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable cost of bringing the asset to working condition. Freehold land and capital work in progress are stated at cost / revalued amount less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of operating fixed assets are credited to surplus on revaluation of operating fixed assets. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and depreciation based on the assets' original cost is transferred from surplus on revaluation of operating fixed assets to retained earnings. All transfers to / from surplus on revaluation of operating fixed assets are net of applicable deferred income tax.

Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost / revalued amount of the assets over their estimated useful lives at the rates given in Note 14. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is de-recognized.

The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

5.5 Inventories

Inventories, except for stock in transit and waste stock / rags are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Useable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Stock in trade

Cost of raw material, work-in-process and finished good is determined as follows:

Raw material	at weighted average purchase cost
Work-in-process and finished goods	at weighted average manufacturing cost including a portion of production overheads

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completions and the estimated costs necessarily to make a sale.

5.6 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark up and other charges are recognized in profit and loss account.

5.7 Trade debts

Known bad debts are written off and provision is made against doubtful debts.

5.8 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

5.9 Trade and other payables

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

5.10 Revenue recognition

Revenue from different sources is recognized as under:

i) Sales revenue is recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer.

ii) Interest income is accounted for on accrual basis.

iii) Rebate on exports, if any is accounted for on actual receipt basis.

5.11 Share capital

Ordinary shares are classified as equity.

5.12 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

5.13 Impairment

The carrying amounts of the Company's asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of the assets exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

5.14 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is legal enforceable right to off set and the Company intends either to settle on a net basis, or to realize the asset and to settle the liabilities simultaneously.

5.15 Cash and cash equivalents

Cash and cash equivalents compromises cash in hand, cash at bank on current, saving and deposit accounts.

5.16 Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated initially at cost which is the fair value of consideration given or received. The financial assets are subsequently measured at fair value, amortized cost or cost as the case may be with classifications into:

i) at fair value through profit or loss (FVTPL)
ii) at fair value through other comprehensive income (FVTOCI) and
iii) at amortized cost. Subsequently:

i) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss). Currently, there are no financial liabilities designated at FVTPL.

ii) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

iii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts and other receivables, the Company had to apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Derecognition of financial instruments

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

5.17 Related party transaction

Transactions and contracts with the related parties are carried out at arm's length price determined in accordance with comparable uncontrolled price method.

5.18 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

	Note	2019 Rupees	2018 Rupees
6. SHARE CAPITAL			
Authorized:			
15,000,000 (2018 : 15,000,000) Ordinary shares of Rupees 10 each		**150,000,000**	150,000,000
Issued, subscribed and paid up:			
6,691,000 (2018 : 6,691,000) ordinary shares of Rupees 10 each, issued for cash		**66,910,000**	66,910,000
869,000 (2018 : 869,000) ordinary shares of Rupees 10 each, issued for consideration other than cash		**8,690,000**	8,690,000
		75,600,000	75,600,000

7. SHARE DEPOSIT MONEY

This represents amount received from Chief Executive Officer Mr. Ghulam Ali Raja in 1993.

	Note	2019 Rupees	2018 Rupees
8. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance		**257,120,804**	263,338,455
Surplus not subject to deferred tax:			
Opening balance		**61,689,105**	61,689,105
Assets revalued during the year		**-**	-
		61,689,105	61,689,105
Surplus subject to deferred tax:			
Opening balance		**195,431,699**	201,649,350
Assets revalued/adjustment during the year		**-**	-
		195,431,699	201,649,350
Deferred tax relating to revalued amount		**(52,538,999)**	(43,990,870)
Revaluation surplus net of deferred tax		**204,581,805**	219,347,584
Surplus realized during the year (net of deferred tax):			
- Incremental depreciation		**(4,416,435)**	(6,217,651)
- Surplus realized on disposal of assets		**-**	-
		(4,416,435)	(6,217,651)
		200,165,370	213,129,933

The latest revaluation of property, plant and equipment was carried out on June 30, 2016 by independent valuer M/s Harvesters Services (Private) Limited using market based approach. The incidence of deferred tax doesn't arise on revaluation of land.

	Note	2019 Rupees	2018 Rupees
9. DEFERRED LIABILITIES			
Gratuity - unfunded defined benefit plan	9.1	**3,321,041**	2,359,253
Deferred tax	9.2	**82,849,307**	78,316,901
		86,170,348	80,676,154

Tax credits in lieu of excess tax u/s 113(2)(c) in respect of current and previous years are available to the company, however company has not recognized deferred tax asset on these credits because company do not expect to earn sufficient taxable profits in future to claim these credits.

9.1 Gratuity - unfunded defined benefit plan

a) Liability recognized in the statement of financial

	2019	2018
Present value of defined benefit obligation	**3,321,041**	2,359,253
	3,321,041	2,359,253

b) Movement in present value of defined benefit obligation:

	2019	2018
Present value of defined benefit obligation at the beginning of the year	**2,359,253**	2,420,148
Current service cost	**6,387,852**	3,944,097
Interest cost	**(50,215)**	29,632
Benefits paid	**(5,834,400)**	(4,075,600)
Actuarial (gain)/loss on present value of defined benefit obligation	**458,551**	40,976
	3,321,041	2,359,253

c) Remeasurement recognized in other comprehensive income:

	2019	2018
Actuarial (gain)/loss on present value of defined benefit obligation	**458,551**	40,976
	458,551	40,976

d) Amount recognized in the statement of profit or loss:

	2019	2018
Current service cost	**6,387,852**	3,944,097
Interest cost	**(50,215)**	29,632
	6,337,637	3,973,729

e) Expense is recognized in the following line items in the statement of profit or loss:

	2019	2018
Administrative expenses	359,976	225,707
Cost of sales	**5,977,661**	3,748,022
	6,337,637	3,973,729

f) Principal actuarial assumptions used in the actuarial valuation carried out as at year end are as follows:

Discount rate - per annum	**12.50%**	9.00%
Expected rate of increase in salary - per annum	**11.50%**	8.00%
Average expected remaining working life of employees	**7 years**	7 years
Mortality rates	**Adjusted SLIC 2001-2005**	Adjusted SLIC 2001-2005

g) Sensitivity analysis

Sensitivity analysis as at June 30, 2019

	Discount rate + 1%	Discount rate - 1%	Salary increase + 1%	Salary increase -1%
PVDBO	3,018,110	3,684,423	3,684,423	3,013,109

Sensitivity analysis as at June 30, 2018

	Discount rate + 1%	Discount rate - 1%	Salary increase + 1%	Salary increase -1%
PVDBO	2,138,487	2,625,597	2,625,597	2,134,734

The above sensitivity analysis are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected credit unit method at the end of the reporting period) has been applied when calculating the liability recognized within the statement of financial position.

	Note	2019 Rupees	2018 Rupees
9.2 Deferred tax			
Differences in tax and accounting bases of assets		**36,020,845**	34,840,714
Surplus on revaluation of property, plant and equipment		**52,538,999**	43,990,870
		88,559,844	78,831,584
Provision for gratuity		**(892,814)**	(514,683)
Workers profit participation payable		**(4,817,723)**	-
		82,849,307	78,316,901

10. TRADE AND OTHER PAYABLES

	Note	2019	2018
Trade creditors		**14,204,039**	11,410,664
Accrued and other payables		**50,390,743**	62,373,803
Advance from customers		**39,643,996**	28,294,386
Excise duty payable		**1,629,032**	1,629,032
Withholding tax payable		**3,021,964**	1,966,787
Workers' Profit Participation Fund	10.1	**16,612,838**	6,954,565
Workers' Welfare Fund		**4,363,021**	3,261,866
		129,865,633	115,891,104

	Note	2019 Rupees	2018 Rupees

10.1 Workers' Profit Participation Fund

Opening balance		**6,954,565**	7,343,175
Allocation for the period		**9,658,273**	6,954,566
Paid during the year		**-**	(7,343,175)
		16,612,838	6,954,565
Interest on unpaid balance		**-**	-
		16,612,838	6,954,565

The Company retains Worker's Profit Participation Fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers Participation Act), 1968 on funds utilized by the Company till the date of allocation to workers.

11. SHORT TERM BORROWINGS

	Note	2019 Rupees	2018 Rupees
Banks - secured	11.1	**-**	-
Related parties - unsecured	11.2	**4,386,427**	4,386,427
		4,386,427	4,386,427

11.1 Banks - secured

Bank Alfalah Limited -FAPC	-	-
Bank Alfalah Limited-FAFB	-	-
Bank Alfalah Limited - Cash Finance (Hypo)	-	-
Bank Alfalah Limited - Cash Finance (Pledge)	-	-
	-	-

Other facilities obtained by the Company:

<table>
<tr><th rowspan="2">NATURE OF FACILITY</th><th colspan="2">2019</th><th colspan="2">2018</th><th rowspan="2">Expiry</th><th rowspan="2">Security</th></tr>
<tr><th>LIMIT</th><th>MARK UP / COMMISSION</th><th>LIMIT</th><th>MARK UP / COMMISSION</th></tr>
<tr><td></td><td>Rupees (Million)</td><td></td><td>Rupees (Million)</td><td></td><td></td><td></td></tr>
<tr><td>Current Finance (Pledge)</td><td>700.00</td><td>3 Months KIBOR + 2.25% per annum</td><td>700.00</td><td>3 Months KIBOR + 2.25% per annum</td><td rowspan="10">February 29, 2020</td><td>Pledge of fresh crop local cotton bales at 10% margin on KCA rates.</td></tr>
<tr><td>Current Finance (Hypo)</td><td>50.00</td><td>3 Months KIBOR + 2.25% per annum</td><td>50.00</td><td>3 Months KIBOR + 2.25% per annum</td><td>1st charge on the Company's entire current assets.(with 30% margin)</td></tr>
<tr><td>Sub-limit of Current Finance: FAPC Own Sources</td><td>(600.00)</td><td rowspan="2">3 Months KIBOR + 2.25% per annum / Treasury rate*</td><td>(600.00)</td><td rowspan="2">3 Months KIBOR + 2.25% per annum / Treasury rate</td><td>Pledge of fresh crop local cotton bales at 10% margin on KCA rates.</td></tr>
<tr><td>Sub-limit of Current Finance Pledge: FAFB Own Sources</td><td>(600.00)</td><td>(600.00)</td><td>Acceptance of issuing bank. Lien on original export LC. Acceptance of issuing bank</td></tr>
<tr><td>Sub-limit of Current Finance: FIM</td><td>(25.00)</td><td>3 Months KIBOR + 2.25% per annum</td><td>(25.00)</td><td>3 Months KIBOR + 2.25% per annum</td><td>Pledge of imported cotton bales at invoice value (imported under LCs established through Bank Alfalah Limited). All Other charges (import duties, taxes etc.) towards landed cost at godown would be borne by the customer in shape of margin</td></tr>
<tr><td>FBP-Clean Documents</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Acceptance of issuing bank. Lien on original export LC. Acceptance of issuing bank</td></tr>
<tr><td>FBP-Discrepant Documents</td><td>120.00</td><td>Treasury rate*</td><td>120.00</td><td>Treasury rate</td><td>1st charge on the Company's entire current assets. (with 30% margin) Indemnity for discrepant documents.</td></tr>
<tr><td>Sub-limit of FBP-Discrepant Docs: FAFB-FE-25 Own Sources-Discrepant</td><td>(120.00)</td><td>3 Months KIBOR + 2.25% per annum / Treasury rate*</td><td>(120.00)</td><td>3 Months KIBOR + 2.25% per annum / Treasury rate</td><td>1st charge on the Company's entire current assets. (with 30% margin) . Indemnity for discrepant documents.</td></tr>
<tr><td>L/C Sight</td><td>50.00</td><td>0.20% for 1st quarter and 0.10% for subsequent quarters*</td><td>50.00</td><td>0.20% for 1st quarter and 0.10% for subsequent quarters</td><td>Lien on documents. Nil margin on LC or as per SBP directives whichever is higher.</td></tr>
</table>

NATURE OF FACILITY	2019 LIMIT	2019 MARK UP / COMMISSION	2018 LIMIT	2018 MARK UP / COMMISSION	Expiry	Security
	Rupees (Million)		Rupees (Million)			
LC Usance 1 <Current finance/Hypo>	(20.00)	0.20 % for 1st & 0.10% for subsequent quarters.*	(20.000)	0.20 % for 1st & 0.10% for subsequent quarters.*	February 29, 2020	20% cash margin against ULC (OTT) for import of machinery. Lien on accepted bills.
Acceptance against Foreign LC 1 <Current finance/Hypo>	(20.00)	0.10% / Month beyond expiry of ULC	(20.000)	0.10% / Month beyond expiry of ULC		20% cash margin against ULC (OTT) for import of machinery. Lien on accepted bills.

*Rates will be on case to case basis.

11.2 Related parties - unsecured

This represents un-secured interest free and without repayment terms loan obtained from:

	Note	2019 Rupees	2018 Rupees
Ghulam Ali Raja - Chief Executive Officer		**4,386,427**	4,386,427
Muhammad Bashir Raja - Director		**-**	-
		4,386,427	4,386,427

	Note	2019 Rupees	2018 Rupees
12. PROVISION FOR TAXATION			
Opening balance		**15,160,496**	14,202,639
Provision for the			
Current year		**55,752,402**	15,160,496
Prior years		**15,637,202**	(2,087,514)
		71,389,605	13,072,982
		86,550,101	27,275,621
Paid / adjusted during the year		**(30,797,698)**	(12,115,125)
		55,752,403	15,160,496

13. CONTINGENCIES AND COMMITMENTS

13.1 There were no other contingencies and commitments as at year end (2018: Nil).

13.2 Tax status of the company against various pending cases is as follows:

Tax Year	Demand created (Rupees)	Under section	Expected outcome
2007	2,213,430	124/221	In favour of company
2008	3,091,238	124/221	In favour of company
2011	7,619,743	122 (1)	In favour of company
2011	4,788,627	221	In favour of company
2012	11,308,461	122 (1)	In favour of company
2013	11,940,865	122 (1)	In favour of company

	Note	2019 Rupees	2018 Rupees
14. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	**514,032,095**	542,803,324
Capital work-in-progress		**2,517,495**	409,260
		516,549,590	543,212,584

14.1 Operating fixed assets

Particulars	Free hold land	Freehold Building	Plant and machinery	Office equipment	Furniture & fixture	Telephone installations	Vehicles	Weigh station	Total
	----------	----------	----------	----------	Rupees	----------	----------	----------	----------
As at June 30, 2017									
Cost	65,568,750	129,932,910	481,220,694	1,498,380	2,435,529	429,519	21,226,830	1,172,188	703,484,800
Accumulated depreciation	-	(11,982,702)	(99,339,433)	(1,104,712)	(1,767,051)	(402,236)	(16,716,498)	(611,705)	(131,924,337)
Net book value	65,568,750	117,950,208	381,881,261	393,668	668,478	27,283	4,510,332	560,483	571,560,463
Year ended June 30, 2018									
Opening net book value	65,568,750	117,950,208	381,881,261	393,668	668,478	27,283	4,510,332	560,483	571,560,463
Additions	-	-	7,140,018	-	70,000	-	1,455,000	-	8,665,018
Depreciation charge	-	(5,897,510)	(30,223,954)	(39,367)	(66,886)	(2,728)	(1,135,663)	(56,048)	(37,422,157)
Revaluation surplus	-	-	-	-	-	-	-	-	-
Net book value	65,568,750	112,052,698	358,797,325	354,301	671,592	24,555	4,829,669	504,435	542,803,324
As at June 30, 2018									
Cost	65,568,750	129,932,910	488,360,713	1,498,380	2,505,529	429,519	22,681,830	1,172,188	712,149,819
Accumulated depreciation	-	(17,880,212)	(129,563,388)	(1,144,079)	(1,833,937)	(404,964)	(17,852,161)	(667,753)	(169,346,494)
Net book value	65,568,750	112,052,698	358,797,325	354,301	671,592	24,555	4,829,669	504,435	542,803,324
Year ended June 30, 2019									
Opening net book value	65,568,750	112,052,698	358,797,325	354,301	671,592	24,555	4,829,669	504,435	542,803,324
Additions	-	-	6,093,200	76,000	-	-	-	-	6,169,200
Depreciation charge	-	(5,602,635)	(28,216,371)	(35,430)	(67,159)	(2,456)	(965,934)	(50,444)	(34,940,429)
Revaluation surplus	-	-	-	-	-	-	-	-	-
Net book value	65,568,750	106,450,063	336,674,153	394,871	604,433	22,099	3,863,735	453,991	514,032,095
As at June 30, 2019									
Cost	65,568,750	129,932,910	494,453,913	1,574,380	2,505,529	429,519	22,681,830	1,172,188	718,319,019
Accumulated depreciation	-	(23,482,847)	(157,779,759)	(1,179,509)	(1,901,096)	(407,420)	(18,818,095)	(718,197)	(204,286,924)
Net book value	65,568,750	106,450,063	336,674,153	394,871	604,433	22,099	3,863,735	453,991	514,032,095
Rate of depreciation - %	0	5	5-15	10	10	10	20	10	

	Note	2019 Rupees	2018 Rupees
14.2 Depreciation for the year has been allocated as under:			
Cost of goods sold	23	**33,869,450**	36,177,512
Administrative expenses	25	**1,070,979**	1,244,645
		34,940,429	37,422,157

14.3 Freehold land, building and plant and machinery are stated at revalued amounts. Forced sale value of land, building and plant and machinery was Rs. 55,733,500/-, 105,534,400/- and 352,496,600 respectively as on the date of revaluation. Had there been no revaluation, related figures of these assets as at June 30, 2019 would have been as follows:

	Cost	Accumulated depreciation	Written down value
	----------------------Rupees--------------------		
Freehold land	3,879,645	-	3,879,645
Freehold building	55,051,956	44,619,186	10,432,770
Plant and machinery	724,769,303	464,625,766	260,143,537
2019	**783,700,904**	**509,244,952**	**274,455,952**
2018	777,531,704	482,025,969	295,505,735

	Note	2019 Rupees	2018 Rupees
15. LONG TERM DEPOSITS			
Security deposits		**444,599**	444,599
		444,599	444,599

	2019 Rupees	2018 Rupees
16. STORES, SPARES AND LOOSE TOOLS		
Stores	**11,245,139**	9,529,691
Spares and loose tools	**4,985,334**	131,379
	16,230,473	9,661,070

	Note	2019 Rupees	2018 Rupees
17. STOCK IN TRADE			
Raw material		**77,914,262**	107,377,691
Work-in-process		**11,730,168**	11,089,341
Finished goods		**2,310,429**	7,187,364
Waste		**85,206**	943,005
		92,040,064	126,597,400
18. TRADE DEBTS - CONSIDERED GOOD			
Secured against letter of credit		-	-
Unsecured - considered good		**54,757,433**	18,507,492
		54,757,433	18,507,492
19. ADVANCES			
Advances considered good - unsecured			
- To suppliers		**15,017,233**	6,941,040
- To employees		**1,956,045**	648,986
Income tax		**8,652,889**	12,411,393
		25,626,167	20,001,419
20. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax refundable	20.1	**21,601,289**	15,920,677
Provision for doubtful sales tax refund claims		-	-
		21,601,289	15,920,677
Income tax refundable		-	15,366,188
		21,601,289	31,286,865

20.1 During the proir years, the provision for doubtful sales tax refund claims of Rs. 11,123,163 for the periods July 2004 to June 2012 has been written off.

	Note	2019 Rupees	2018 Rupees
21. CASH AND BANK BALANCES			
Cash in hand		**1,019,703**	427,512
Cash at banks:			
Local currency			
on current accounts		**28,506,141**	24,750,419
on deposit accounts	21.1	**194,442,948**	2,227,830
Foreign currency			
on deposit account - USD 16,611 (2018 : USD 16,588)	21.1	**2,724,178**	2,013,797
		225,673,267	28,992,046
		226,692,970	29,419,558

21.1

Rate of profit on bank deposit is 0.15 % to 10.25 % per annum (2018 : 0.15 % to 7 % per annum).

	Note	2019 Rupees	2018 Rupees
22. SALES			
Local			
Yarn		**2,371,285,155**	1,848,501,468
Waste		**14,412,450**	12,112,725
		2,385,697,605	1,860,614,193
Export of yarn		**-**	-
		2,385,697,605	1,860,614,193

	Note	2019 Rupees	2018 Rupees
23. COST OF SALES			
Raw material consumed	23.1	**1,640,861,604**	1,240,196,181
Salaries, wages and benefits	23.2	**141,601,568**	113,427,857
Packing material		**20,129,095**	16,892,627
Fuel and power		**274,183,321**	245,938,303
Stores, spares and loose tools consumed		**2,760,419**	2,485,938
Repairs and maintenance		**19,945,178**	22,542,800
Insurance		**2,012,980**	2,539,082
Cotton cess		**1,568,750**	-
Depreciation	14.2	**33,869,450**	36,177,512
Miscellaneous		**387,024**	362,052
		2,137,319,389	1,680,562,352
Work-in-process			
Opening stock		**11,089,341**	8,107,140
Closing stock		**(11,730,168)**	(11,089,341)
		(640,827)	(2,982,201)
Cost of goods manufactured		**2,136,678,562**	1,677,580,152
Finished goods			
Opening stock		**8,130,369**	3,282,909
Closing stock		**(2,395,635)**	(8,130,369)
		5,734,734	(4,847,460)
		2,142,413,296	1,672,732,692

23.1 Raw material consumed

	2019 Rupees	2018 Rupees
Opening stock	**107,377,691**	164,255,676
Purchases	**1,611,398,175**	1,183,318,196
	1,718,775,866	1,347,573,872
Closing balance	**(77,914,262)**	(107,377,691)
	1,640,861,604	1,240,196,181

23.2 This includes employees' retirement benefits amounting to Rupees 5,977,661 (2018 : Rupees 3,694,022)

	Note	2019 Rupees	2018 Rupees
24. SELLING AND DISTRIBUTION EXPENSES			
Export expenses and freight		-	38,654
Commission paid on local sales		485,730	1,380,628
		485,730	1,419,282
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	25.1	**6,206,768**	6,831,612
Directors' remuneration		**9,588,419**	8,320,187
Insurance		**194,467**	288,872
Vehicle running and maintenance		**1,121,116**	1,006,269
Traveling and conveyance		**1,060,020**	77,130
Entertainment		**83,965**	76,991
Postage and telecommunication		**798,133**	716,616
Printing and stationery		**173,852**	190,584
Legal and professional charges		**506,000**	556,000
Fee and subscription		**409,594**	922,221
ISO system		**149,203**	126,701
Guest house		**955,746**	712,981
Depreciation	14.2	**1,070,979**	1,244,645
News paper, books and periodicals		**35,594**	33,958
Advertisement		-	55,400
Miscellaneous		**322,420**	364,256
		22,676,276	21,524,423

25.1 This includes employees' retirement benefits amounting to Rupees 359,976 (2018 :Rupees 225,707).

	Note	2019 Rupees	2018 Rupees
26. OTHER OPERATING EXPENSES			
Auditors' remuneration	26.1	**900,000**	700,000
Donations	26.2	**5,000**	-
Provision for doubtful sales tax refund claims		-	-
Workers' Profit Participation Fund (WPPF)		**9,658,273**	6,954,566
Workers' Welfare Fund (WWF)		**4,363,021**	3,261,866
		14,926,294	10,916,432

26.1 Auditors' remuneration

	2019	2018
Audit fee	**750,000**	700,000
Tax services	**150,000**	-
	900,000	700,000

26.2 None of the directors and their spouses have any interest in the donee's fund.

	Note	2019 Rupees	2018 Rupees
27. OTHER OPERATING INCOME			
Financial assets			
Profit on deposit accounts		**3,650,121**	84,397
Exchange gain		**706,945**	248,608
Non-financial assets			
Payables written off		**-**	3,365,255
		4,357,067	3,698,260

	Note	2019 Rupees	2018 Rupees
28. FINANCE COST			
Markup on short term finance		**16,232,245**	18,124,499
Bank charges and commission		**155,340**	255,207
		16,387,585	18,379,706

	Note	2019 Rupees	2018 Rupees
29. TAXATION			
Current year	12	**71,389,605**	13,072,982
Deferred		**(4,015,723)**	3,242,080
		67,373,882	16,315,062

29.1 Provision for taxation has been made in accordance with sections 113, 154 and 169 of the Income Tax Ordinance, 2001. The assessments of the Company have been finalized up to tax year 2017.

29.2 The applicable tax rate is 29% (2018 : 29 %) on the taxable income of the Company.

29.3 No numeric tax rate reconciliation is presented in these financial statements as the Company is liable to pay minimum tax under section 113 and final tax under section 154 of the Income Tax Ordinance 2001.

	Note	2019 Rupees	2018 Rupees
30. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		**193,165,490**	139,339,919
Adjustments for:			
Depreciation		**34,940,429**	37,422,157
Worker's Welfare Fund		**4,363,021**	3,261,866
Payables written off		-	(3,365,255)
Provision for gratuity		**6,337,637**	3,973,729
WPPF		**9,658,273**	6,954,566
Finance cost		**16,387,585**	18,379,706
		71,686,945	66,626,769
Working capital changes:			
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(6,569,403)**	(756,835)
Stock in trade		**34,557,336**	49,048,325
Trade debts		**(36,249,941)**	3,195,100
Advances		**(9,383,252)**	21,841
Tax refunds due from the government		-	4,297,860
Increase / (decrease) in current liabilities			
Trade and other payables		**3,215,102**	9,753,738
		(14,430,158)	65,560,029
Cash used in operations		**250,422,278**	271,526,718
Finance cost paid		**(18,421,546)**	(21,443,657)
Taxes paid		**(20,615,484)**	(12,411,393)
WPPF paid		-	(7,343,175)
Gratuity paid		**(5,834,400)**	(4,075,600)
		205,550,847	226,252,893

30.1 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Liabilities from financing activities		Total
	Loan from directors	Short term borrowings- Banks	
Balance as at July 01, 2018	4,386,427		4,386,427
Increase in short term borrowings	-	381,000,000	381,000,000
Short term borrowings repaid	-	(381,000,000)	(381,000,000)
Loan received from director	-	-	-
			-
Balance as at June 30, 2019	**4,386,427**	-	**4,386,427**

31. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the managing director, directors and executives of the Company are given below:

	2019			2018		
	Chief Executive	Executive	Director	Chief Executive	Executive	Director
	----------Rupees----------					
Remuneration	-	1,260,000	7,940,000	-	-	5,740,000
Utilities and other benefits	-	-	1,648,419	-	-	2,580,187
	-		9,588,419	-		8,320,187
Number	1	1	3	1		3

32. FINANCIAL RISK MANAGEMENT

32.1 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 programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors. 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**

(i) **Currency risk**

Currency risk is the risk that the fair value or 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 is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2019	2018
Cash at banks - USD	**16,588.12**	16,588.12

The following significant exchange rates were applied during the year:

	2019	2018
Rupees per US Dollar		
Average rate	**151.300**	115.200
Reporting date	**164.000**	121.400

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 136,209 (2018 : Rupees 100,690) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk as the Company has not made any investment in equity instruments of other companies.

(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 short term borrowings. Borrowings obtained at variable rates 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:

	2019	2018
	Rupees	Rupees
Floating rate instruments		
Financial liabilities		
Short term borrowings-Banks secured	-	-

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 906,936 (2018: Rupees nill) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities / deposits outstanding at balance sheet dates were outstanding for the whole 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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 Rupees	2018 Rupees
Long term deposits	**444,599**	444,599
Advances	**1,956,045**	648,986
Trade debts	**54,757,433**	18,507,492
Bank balances	**225,673,267**	28,992,046
	282,831,344	48,593,123

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2019	2018
	Short term	Long term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	**233,577**	232,600
Allied Bank Limited	A1+	AAA	PACRA	**6,170**	6,170
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	**54,914,908**	9,823,002
Habib Bank Limited	A-1+	AAA	JCR-VIS	**4,555,934**	4,523,201
MCB Bank Limited	A1+	AAA	PACRA	**2,338,795**	2,236,175
United Bank Limited	A-1+	AAA	JCR-VIS	**1,733,726**	305,808
Faysal Bank Limited	A1+	AA	PACRA	**4,749**	4,749
Meezan Bank Limited	A-1+	AA+	JCR-VIS	-	3,952,084
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**12,243,684**	7,908,256
				76,031,542	28,992,046

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

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 18 and hereunder:

The-aging of trade debts at the reporting date was:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	----------Rupees----------			
Not yet due	-	-	-	-
Past due 1 - 30 days	**46,459,798**	-	.6,811,112	-
Past due 31 - 90 days	**431,968**	-	2,942,351	-
Past due 91 - 180 days	**133,076**	-	227,189	-
Past due 181 - 360 days	**78,590**	-	3,072,000	-
Over 360	**7,639,209**	-	5,454,840	-
	54,742,641	-	18,507,492	-

(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. At June 30, 2019, the Company has available borrowing facilities from financial institutions as mentioned in Note 11 and Rupees 225.9 million cash and bank balances. So, management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at June 30, 2019:

	Carrying amount	**Contractual cash flows**	**6 month or less**	**6 - 12 month**
	---Rupees-----------------------------------			
Trade and other payables	88,592,605	88,592,605	88,592,605	-
Gratuity	3,321,041	2,359,253	2,359,253	-
Unclaimed dividend	1,526,097	1,526,097	1,526,097	-
Accrued mark-up	89,262	89,262	89,262	-
Short term borrowings related parties - unsecured	4,386,427	4,386,427	4,386,427	-
	97,915,432	**96,953,644**	**96,953,644**	**-**

Contractual maturities of financial liabilities as at June 30, 2018:

	Carrying amount	Contractual cash flows	6 month or less	6 - 12 month
	---Rupees-----------------------------------			
Trade and other payables	85,967,686	85,967,686	85,967,686	-
Gratuity	2,359,253	2,359,253	2,359,253	-
Unclaimed dividend	1,526,097	1,526,097	1,526,097	-
Accrued mark-up	2,123,223	2,123,223	2,123,223	-
Short term borrowings	4,386,427	4,386,427	4,386,427	-
	96,362,685	96,362,685	96,362,685	-

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 June 30, 2019. The rates of interest / mark up have been disclosed in Note 11 to these financial statements.

32.2 Fair values of financial assets and liabilities

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

	2019 Rupees	2018 Rupees
32.3 Financial instruments by categories		
Financial assets as per balance sheet- at amortized cost		
Long term deposits	**444,599**	444,599
Advances	**1,956,045**	648,986
Trade debts	**54,757,433**	18,507,492
Cash and bank balances	**226,692,970**	29,419,558
	283,851,047	49,020,635

	2019 Rupees	2018 Rupees
Liabilities as per balance sheet at amortized cost		
Gratuity	**3,321,041**	2,359,253
Trade and other payables	**88,592,605**	85,967,686
Unclaimed Dividends	**1,526,097**	1,526,097
Accrued mark-up	**89,262**	2,123,223
Short term borrowings:		
Banks- secured	**-**	-
Related parties - unsecured	**4,386,427**	4,386,427
	97,915,432	96,362,685

32.4 Capital risk management

The Company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent short term borrowings obtained by the Company. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'. the Company's strategy is to maintain debt burden at minimum possible level. The capital structure of the Company is equity based with no financing through long term borrowings. The Company avails short term borrowing for working capital purposes only.

	2019 Rupees	2018 Rupees
Borrowings	**4,386,427**	4,386,427
Total equity	**676,152,417**	559,367,488
Total capital employed	**680,538,844**	563,753,915
Gearing ratio (percentage)	**0.64**	0.78

33 RECOGNIZED FAIR VALUE MEASUREMENT - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

As at 30 June 2019	Level 1	Level 2	Level 3	Total
		..........Rupees..........		
Property, plant and equipment:				
Freehold land	-	65,568,750	-	65,568,750
Freehold Buildings	-	106,450,063	-	106,450,063
Plant and machinery	-	336,674,153	-	336,674,153
Total non-financial assets	**-**	**508,692,966**	**-**	**508,692,966**

As at 30 June 2018	Level 1	Level 2	Level 3	Total
		..........Rupees..........		
Property, plant and equipment:				
Freehold land	-	65,568,750	-	65,568,750
Buildings	-	112,052,698	-	112,052,698
Plant and machinery	-	358,797,325	-	358,797,325
Total non-financial assets	**-**	**536,418,773**	**-**	**536,418,773**

The Companys policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is 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 fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There was no transfer between any level during the year.

(ii) **Valuation techniques used to determine level 2 fair values**

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every five years with exception of current year. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery is current price in an active market for similar items and depreciated market value.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end of every five years with exception of current year. As at 30 June 2016, the fair values of the items of property, plant and equipment were determined by Messers Harvester Services (Private) Limited, the approved valuer.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

	2019	2018
34. PLANT CAPACITY AND PRODUCTION		
Number of Spindles installed	**38,668**	38,668
Installed capacity in 20's count	**14,500,500**	11,235,420
Revised capacity		**14,500,500**
Actual production after conversion into 20's count in kgs for 1,020 shifts (2018 : 1,020 shifts) in kgs (approximately)	**13,697,638**	9,839,347

35. RELATED PARTY TRANSACTIONS

The related parties comprise of directors and major shareholders and entities under common directorship and employees' funds. Transactions with related parties made during the year are given below. Remuneration of chief executive, directors and executives are disclosed in Note 31 to the financial statements respectively.

	2019 Rupees	2018 Rupees
Key management personnel		
Loan repaid- Muhammad Bashir Raja	-	-
Loan received- Gulam Ali Raja Chief Executive Officer	**4,386,427**	(3,838,400)

	2019	2018
36. NUMBER OF EMPLOYEES		
Average during the year	**490**	519
As at 30 June	**415**	456

37. GENERAL

In these financial statements figures have been rounded off to the nearest rupee and those of the previous year have been re-arranged and re-grouped wherever necessary to facilitate comparison.

38. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on by the Board of Directors of the Company.

CHIEF EXECUTIVE DIRECTOR

PROXY FORM

Folio No. /CDC A/C No.	
Share held	

I/We ....

of ....

a member(s) of AL-QADIR TEXTILE MILLS LIMITED and holder of ....

ordinary shares, as per Registered Folio No. .... do hereby appoint....................

of ....a member of

AL-QADIR TEXTILE MILLS LIMITED, vide Registered Folio No. ....As my / our proxy to act on my / our behalf at the 31st Annual General Meeting of the Company to be held on the 28th October 2019 at 10:00 A.M at Mills 6-K.M. Jhelum Road, Chakwal and or at my adjournment thereof.

Signed this .... day of October, 2019

Signature ....

AFFIX
REVENUE
STAMP

1. Witness:
   Signature________________
   Name ________________
   Address________________
   ____

2. Witness:
   Signature________________
   Name ________________
   Address________________
   ____

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

NOTICE

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
2. The instrument appointing a proxy should be signed by the member(s) or by his/her attorney duly authorized in writing. If the member is a corporation, it common seal should be affixed on the instrument.
3. CDC shareholder are requested to bring with them their Computerized National Identity Cards along with the participants' ID number and their account numbers at the time of attending the Annual General meeting in order to facilitate identification of the respective shareholders.
4. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or notarially certified copy thereof, should be deposited at the Company's office not later than 48 hours before the time of holding the meeting.