2020

ANNUAL REPORT

FCML

Fazal Cloth Mills Limited

Contents

Corporate

Unconsolidated Financial Statements of Fazal Cloth Mills Limited

Consolidated Financial Statements of Fazal Cloth Mills Limited (The Group)

Company Information

Board of Directors	Sh. Naseem Ahmad	Chairman
	Mr. Rehman Naseem	Chief Executive Officer
	Mr. Amir Naseem Sheikh	
	Mr. Muhammad Mukhtar Sheikh	
	Mr. Faisal Ahmed	
	Mr. Fahd Mukhtar	
	Mr. Babar Ali	Independent Director
	Mr. Masood Karim Shaikh	Independent Director
	Ms. Parveen Akhter Malik	Independent Director
Audit Committee	Mr. Babar Ali	Chairman
	Mr. Sheikh Naseem Ahmad	Member
	Mr. Fahd Mukhtar	Member
Human Resource and Remuneration Committee	Mr. Babar Ali	Chairman
	Mr. Fahd Mukhtar	Member
	Mr. Faisal Ahmad	Member
Company Secretary	Mr. Asad Mustafa	
Chief Financial Officer	Mr. Muhammad Azam	
Auditors	KPMG TaseerHadi& Co., Chartered Accountants	

Bankers

Allied Bank Limited	Faysal Bank Limited
National Bank of Pakistan	Askari Bank Limited
MCB Bank Limited	The Bank of Punjab
Meezan Bank Limited	The Bank of Khyber
United Bank Limited	Pak Brunei Investment Company Limited
Standard Chartered Bank Pakistan Limited	Pak Oman Investment Company Limited
	Summit Bank Limited
Habib Bank Limited	Dubai Islamic Bank (Pakistan) Limited
Soneri Bank Limited	
Bank Al-Falah Limited	
Bank Al-Habib Limited	JS Bank Limited
Saudi Pak Industrial & Agricultural Investment Company Ltd	Bank Islami Pakistan Ltd
Habib Metropolitan Bank Ltd	

Head Office & Shares Department:
59/3, Abdali Road, Multan.
Phone: (92) 61-4579001-7,4781637 Fax: (92) 61-4541832
E-mail: corporate@fazalcloth.com; shares@fazalcloth.com
Website: www.fazalcloth.com

Shares Registrar:
Vision Consulting Ltd.
3-C, LDA Flats, Lawrence Road, Lahore.shares@vcl.com.pk
Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36312550

Registered Office:
69/7, AbidMajeed Road, Survey No. 248/7, Lahore Cantt, Lahore.
Phone: (92) 42-36684909

Mills:
i) Fazal Nagar, Jhang Road, Muzaffargarh– Pakistan
Ph. (92) 66-2422216,18 Fax: (92) 66-2422217

ii) QadirpurRawan Bypass, Khanewal Road, Multan – Pakistan
Ph. (92)61-6740041-43, Fax : (92) 61-6740052

Corporate Vision / Mission Statement

Vision

The Company aims to establish a vertically integrated textile business producing finished products, processed and greige fabrics and yarn. The Company aims to produce high quality diversified products at competitive price to be marketed globally.

Mission

The Company should provide a secure and rewarding investment to its shareholders and investors, quality products to its customers, a secure place of work to its employees and be an ethical partner with its business associates.

Corporate Values & Code of Conduct

The Company has adopted the following corporate values:

- To fulfill customer needs by producing quality products;
- To act with good governance;
- To achieve sustainable and equitable growth;
- To promote diversity and ethical behavior;
- To develop a dynamic team of professionals to achieve excellence and innovation.

Fazal Cloth Mills Limited ("the company") promulgated the code of conduct ("the Code") on October 05, 2012. The Company is committed to maintain the highest level of ethical conduct among its directors and employees. Therefore separate codes were framed for directors and employees, which include the acceptable business practices, source of guidance and principles of behavior.

Salient Features For The Code Of Conduct For Directors

Compliance with Laws

Directors must comply with the laws, rules and regulations applicable to business of the Company in and outside Pakistan.

Conflict of interest

A conflict of an interest is a situation where a director would be in a position to make personal gains by influencing the decision making. Conflict of interest might not be easily identifiable. Whenever a director feels that the conflict of interest exists, he should inform about it to the chairman of the Board of Directors.

Corporate Opportunity

Directors should not use the Company's property, information and their position for personal benefit. He should not establish competing business and divert the Company's business opportunities for personal gains.

Confidentiality

Directors must always maintain confidentially of the confidential information. He should not make public such information which would harm the interests of the Company. He should consult with Chairman of the Board or compliance officer if he has to disclose any information due to his legal obligation.

Fair Dealing

A director must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Protection and Proper Use of the Company Assets

Directors should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Reporting any Illegal or Unethical Behavior

A director must inform the Compliance officer or chairman of the Board of Directors if he finds any employee or other director committing the violation of the Code and any law of the land. He should take all possible measures which could help prevent illegal or unethical behavior of fellow directors or employees.

Public Company Reporting

Directors are responsible for the timely and accurate reporting to the SECP, FBR, stock exchanges and other regulatory bodies. Theyshould make possible that the financial statements of the Company are published and circulated among shareholders in time.

Disclosure of Interest

The directors should disclose their interest in the shareholding of other companies. They must inform within four days to the Company Secretary if any director or his spouse trades in the shares of the other Company.

Insider Trading

No director or his spouse will transact in the shares of the Company after the start of close period. The Company secretary will inform about the close period that will start when the documents and financial statements are circulated among the directors. Directors should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Salient Features For The Code Of Conduct For Employees

Safety

The Company is highly concerned with the safety of both employees and non-employees on its premises and maintains standard operating procedures in case of emergencies. All the employees must follow these procedures and are required to inform their seniors in case of any mishap.

Fitness for Duty

An employee should be mentally and physically fit when he is on work. He should not use any drugs. Even if he is using any prescribed medicine which might affect his performance at work he should inform about it to his senior.

Attendance Report

An employee should have contact information of his senior and inform him if he is not able to report on work.

Work Place Harassment and Discrimination

The Company treats all its employees equally and maintains an environment free from workplace harassment and discrimination. The policy of equal treatment applies to hiring, career prospects, promotions, training, remuneration and dismissal as well.

Environment

All the employees are required to promote culture of environmental protection among employees, customers, suppliers, public authorities and communities. They must use the Company's facilities and processes in an environmentally sustainable way.

Workplace Violence

Employees must restraint themselves from any form of violence at the Company premises otherwise he will be terminated from his job.

Weapons in Workplace

All the employees, other than those who are authorized, cannot carry any weapon whether on or off duty if they are using premises, vehicle or any other property of the Company.

Protection and proper use of the Company Assets

Employees should ensure that all assets of the Company must be used for the benefit of the Company. They are required to exercise best of their abilities and judgment to put the assets of the company for efficient use and benefit of the Company.

Computer and System Security

All the employees of the Company are required to use computer and information technology system of the Company according to the Company information technology policy and guidelines.

Fair Dealing

All employees must deal with all the stakeholders of the Company fairly. He should not provide unfair advantage to any customer, supplier, banker etc. due to his position.

Bribery

The payment of bribery and kickbacks in any form is strictly prohibited because the Company does not allow anyone to promote its business by compromising the integrity and ethical practices.

Confidential Information

All the employees must keep the company information on its premises and should not make copies of documents, papers, statements and record for an unauthorized use. Employees are not permitted to share the information about Company business outside the Company unless authorized.

Regulatory Compliance and Corporate governance

The company maintains an environment of good governance. All the employees are required to follow the Company's policies, rules and regulations.

Financial Integrity

No employee should indulge himself in any fraudulent activity. If he believes and finds anyone engaged in a fraudulent activity he should inform about it to his seniors.

Alcohol, Drugs and Gambling

The use of alcohol, drugs, other than for medication, and gambling is prohibited on the location or premises of the Company.

Insider Trading

No employee or his spouse will transact in the shares of the Company after the start of close period prior to the announcement of financial results. Employees categorized as executives according to the requirements of Code of Corporate Governance 2012 should also inform the Company Secretary immediately about transactions performed by them and their spouse in the shares of the Company other than close period.

Audit Committee

Members

Mr. Babar Ali	Chairman
Mr. Sheikh Naseem Ahmed	Member
Mr. Fahd Mukhtar	Member

Terms of Reference

Terms of reference of audit committee shall include following;

a) Determination of appropriate measures to safeguard the company's assets;

b) Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:

- (i) Major judgmental areas;
- (ii) Significant adjustments resulting from the audit;
- (iii) Going concern assumption;

i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

j) Review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

(iv) Any changes in accounting policies and practices;
(v) Compliance with applicable accounting standards;
(vi) Compliance with these regulations and other statutory and regulatory requirements; and
(vii) All related party transactions.

c) Review of preliminary announcements of results prior to external communication and publication;

d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) Review of management letter issued by external auditors and management's response thereto;

f) Ensuring coordination between the internal and external auditors of the company;

g) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;

h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

k) Instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;

l) Determination of compliance with relevant statutory requirements;

m) Monitoring compliance with these regulations and identification of significant violations thereof;

n) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

o) Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.

p) Consideration of any other issue or matter as may be assigned by the board of directors.

Human Resource & Remuneration (HR& R) Committee

Members

1.	Mr. Babar Ali	Chairman
2.	Mr. Fahd Mukhtar	Member
3.	Mr. Faisal Ahmed	Member

Terms of Reference

-

- Recommend to the board for consideration and approval a policy frame work for determining remuneration of directors (both executive and non-executive directors and members of senior management).
- Recommending human resource management policies to the board.
- Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of, chief financial officer, company secretary and head of internal audit.
- Consideration and approval on recommendation of chief executive officer on such matters for key management positions who report directly to chief executive officer.

NOTICE OF 55th ANNUAL GENERAL MEETING

Notice is hereby given that the **55th Annual General Meeting** of the Shareholders of the Company **M/S. FAZAL CLOTH MILLS LIMITED("the Company")**will be held on Thursday, November 26, 2020at 11:00 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah,DefenceChowk, LAHORE to transact the following business:

A- **ORDINARY BUSINESS**

1. To confirm the minutes of the lastExtra-Ordinary General Meeting of the Company held on May 30, 2020.

2. To receive, consider and adopt the annual audited accounts of the Company for the year ended June 30, 2020 together with the auditors' and director's Report thereon.

3. To appoint Statutory Auditors of the Company for the financial year ending **June 30, 2021** and fix their remuneration.

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

B- **SPECIAL BUSINESS**

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

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

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

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

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

FURTHER RESOLVED that the Company as a Sponsor of FEL, authorised an investment of an amount of PKR 9,028 million (Pak Rupees Nine Billion Twenty Eight Million Only) (the "**Approved Amount**") through a special resolution passed in the shareholder's meeting on May 30, 2017.

FURTHER RESOLVED that the Company be, is and remains authorized, as a Sponsor of FEL, to invest an amount of PKR 6,000 million (Pak Rupees Six Billion Only) from the Approved Amount pursuant to the terms of the Company's Agreements, by way of a subordinated loan in lump sum or in parts, at a mark-up chargeable at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company, in such case and manner as provided in the Company's Agreements and Authorised Instruments.

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

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

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

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

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

2. **To consider and approve changes in various Articles of Articles of Association of the Company and to pass following Special Resolution(s) with or without modification(s):**

"**RESOLVED THAT**the alterations, substitutions, additions or deletions be and are hereby made in the existing Articles of Association of the Company as per Annexure – Ito the Statement of Material Facts under Section 134(3) of the Companies Act, 2017 as explanation to this special business.

FURTHER RESOLVED THATno amendment / alteration in the numbering or wordings be and are hereby made in the remaining Articles of the existing Articles of Association of the Company except for changes/insertion stipulated in Annexure – I of the Statement of Material Facts under Section 134(3) of the Companies Act, 2017.

Further Resolved thatdue to promulgation of the Companies Act, 2017, the words "Companies Ordinance, 1984" be and are hereby replaced with the words "Companies Act, 2017" wherever appearing in the Memorandum and Articles of Association of Company.

FURTHERRESOLVEDTHAT any Director and/or Secretary of the Company be and is/are hereby singly and/or jointly authorized to give effect to the above Special Resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for the purpose of making necessary amendments in the Articles of Association of the Company and comply with all the necessary requirements of the law in this connection.

FURTHER RESOLVED THAT aforesaid resolutions shall be subject to any amendments, modifications, additions or deletions as may be suggested, directed or required by the Commission or any other regulatory body, which changes shall be deemed to be part of these Special Resolutions without the need of the shareholders to pass fresh resolutions unless the same are of a substantial nature."

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

"**RESOLVEDTHAT** the related party transactions carried out by the Company during the year, as disclosed in Note 44 of the financial statements for the year ended June 30, 2020, be and are hereby ratified, approved and confirmed."

4. **To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time, irrespective of the composition of the Board of Directors;**

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

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

5. **To discuss the matter and seek approval of the shareholders of the following special resolutions, with or without modifications, in compliance with Section 199 of the Companies Act, 2017 regarding investment up-to of Rs. 500 Million in Associated Company Fatima Energy Ltd ("FEL") and to authorize the Company to invest by way of advance/loan in FEL**:

"RESOLVED THAT consent of shareholders of the company be and is hereby accorded under section 199 of the companies act 2017 for a loan of the amount up-to Rs. 500,000,000/- (Pak Rupees Five Hundred Million Only) be made to "Fatima Energy Limited", an Associated Undertaking, at mark-up chargeable at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company, repayable in ten semi annual instalments by FEL after complete discharge of its loan obligations towards its lender's banks and investment will be made till October 15, 2023".

"FURTHER RESOLVED that any Director of the Company and authorized officers of the Company namely, Mr. Muhammad Azam, Chief Financial Officer and Mr. Asad Mustafa, Company Secretary be and are hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing necessary agreements/documents, seeking any relevant regulatory approvals, and any ancillary matter thereto".

A statement under Section 134(3) of the Companies Act, 2017 to the aforesaid special businesses to be transacted at the said Annual General Meeting is attached.

BY ORDER OF THE BOARD

Asad Mustafa
Company Secretary

MULTAN.
Dated: November 04, 2020

NOTES:

1. The Share Transfer Books of the Company will remain closed from November 19, 2020 to November 26, 2020 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on November 18th 2020 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport, Account & participant's ID number to prove identity. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members must bring the BoD resolution and / or power of attorney and specimen signature of nominee.
3. **Dissemination of Annual Audited Accounts and Notice of Annual General Meeting**The Company shall place the financial statements and reports on the Company's website: www.fazalcloth.com at least twenty one (21) days prior to the date of the Annual General Meeting. Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31 May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/ DVD/USB instead of transmitting the hard copies at their registered addresses. Accordingly, Annual Report of the Company for the year ended June 30, 2020 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID. For convenience of shareholders, a Standard Request Form for provision of Annual Accounts has also been made available on the Company's website www.fazalcloth.com.
4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-
   a. Change in their addresses;
   b. In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS) for future dividends, if any.
   c. The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar.
   d. For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or Mr. Abdul GhaffarGhaffari of Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.
   e. **Consent for Video Conference Facility** Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of videolink for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (07) days prior to the date of the meeting as per the following format.

      I/We, _______________ of ________________ being a member of Fazal Cloth Mills Limited holder of _______________ Ordinary share(s) as per Registered Folio No. ____________ hereby opt for video conference facility at ________________.

f. **Zakat Declaration**
The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Usher Ordinance, 1980.

g. **E-Voting**
Shareholders can exercise their right to demand a poll subject meeting requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of companies (Postal Ballot) Regulations 2018

h. **Unclaimed Dividend & Bonus Shares**
Shareholders, who by any reasons, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our share registrar M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore,

I. Due to current COVID-19 situation, the Government has suspended large public gatherings at one place. Additionally, the Securities and Exchange Commission of Pakistan (SECP) in terms of its Circular No.5 of 2020 issued on March 17, 2020 and Pakistan Stock Exchange Limited (PSX) through its notice Ref: PSX/N-372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large. Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies. The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell Number and Number of shares held in their name with subject "Registration for Fazal Cloth Mills Limited AGM-20" alongwith valid copy of both sides of Computerized National Identity Card (CNIC) at corporate@fazalcloth.com . Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM. Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address corporate@fazalcloth.com.

Statements under Section 134(3) of the Companies Act, 2017

Special Business No.1

The Shareholders of the Company in their meeting held on May 30, 2017 approved and authorized the Company to enter into a Sponsor Support Agreement (SSA) with Fatima Energy Limited, an associated undertaking (**"FEL"**) and its lenders including Habib Bank Limited, Bank Alfalah Limited and other financial institutions (**"FEL's Lenders"**) along with other sponsors. Under the SSA, the Company is required to fulfill its guarantee / commitment / SBLC / undertaking to FEL's Lenders subject to occurrence of default by FEL in repayment of its obligations / liabilities towards FEL's Lenders. Accordingly, in this regard the shareholders of the Company in their meeting held on May 30, 2017 approved an investment by way of a loan of up to Rs 9,028 million in FEL under section 208 of the Companies Ordinance, 1984.

Recently FEL's Lenders approved restructuring of FEL's outstanding loans. As a result, the Company being sponsor of FEL is required to execute and deliver the necessary statutory documents including Second Amended and Restated Sponsor Support Agreement, Share Retention and Subordination Agreement, the Share Pledge Agreement and other documents required by the FEL's lenders from all sponsors including the Company.

As a result of restructuring of FEL's debt by its lenders, the maximum amount of investment by way of a subordinated loan in FEL, required to be made by the Company only in case of default by FEL in repayment of its obligations/liabilities towards FEL's lenders, has been reduced from Rs.9.028 billion to Rs. 6.000 billion. This amount will be invested over a period of 20 years starting from December 2020. The Company will charge markup at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company. This loan will be reapid by FEL after repayment of outstanding loans of FEL's lenders. The Company being FEL's sponsor is required to pledge 100% of all FEL's shares owned by the Company in favor of the security trustee bank of FEL's lenders.Approval of the shareholders is sought to make the above investment and pledge the shares as explained.

Special Business No.2

The amendment in various Articles of the Articles of Association of Fazal Cloth Mills Limited as per Comparative statement appended below is proposed to be approved as special resolution.

<table>
<tr><th>EXISTING ARTICLE NOS.</th><th>EXISTING ARTICLES (BEFORE ALTERATION)</th><th colspan="2">PROPOSED ARTICLES (AFTER ALTERATION)</th></tr>
<tr><td rowspan="3">Addition of New Definition in Article No. 2</td><td rowspan="3"></td><td>The Act</td><td>The Companies Act, 2017</td></tr>
<tr><td>The Directors</td><td>The “Director” includes any person occupying the position of a director, by whatever name called.</td></tr>
<tr><td>The Company Secretary</td><td>The “Company Secretary” means any individual appointed to perform secretarial and other duties customarily performed by a company secretary and decl ared as such, having such qualifications and experience, as may be specified.</td></tr>
<tr><td>Alteration in Existing Article No. 17</td><td>Director may not refuse to register transfer of shares

The Directors shall not refuse to transfer any fully paid shares or debentures unless the transfer deed is for any reason, defective or invalid in which case they shall within thirty days from the date on which the instrument of transfer was lodged with the Company notify the defect or invalidity to the transferee who shall, after the removal of such defect or in validity be entitled to relodge the transfer deed with the Company. If the Directors refuse to register a transfer or any shares, they shall, within thirty days after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal, indicating reasons for such refusal.</td><td colspan="2">Director may not refuse to register transfer of shares

The Directors shall not refuse to transfer any fully paid shares or debentures unless the transfer deed is for any reason, defective or invalid in which case they shall within fifteen days from the date on which the instrument of transfer was lodged with the Company notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity be entitled to relodge the transfer deed with the Company. If the Directors refuse to register a transfer or any shares, they shall, within fifteen days after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal, indicating reasons for such refusal.</td></tr>
</table>

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in Existing Article No. 18	**Register of transfers may be closed** Subject to the notice required by Section 151 of the Ordinance the register of transfers may be closed during the fourteen days Immediately preceding every Annual General Meeting of the Company and at such other times (if any) and for such period as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty days at a time or for more than forty-five days in any year.	**Register of transfers may be closed** Subject to the notice required by Section 125 of the Companies Act, 2017, the register of transfers may be closed immediately preceding every General Meeting of the Company and at such other times (if any) and for such period as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty days or to such extended time as approved by the Commission in any year.
Alteration in Existing Article No. 22	**Company may alter its capital in certain ways** The company may so far alter the conditions of its Memorandum of Association as by Ordinary Resolution- a) to consolidate and divide its share capital into shares of larger amount than its existing shares, or b) to cancel any shares not taken or agreed to be taken by any person, or c) to divide its share capital or any part thereof into shares of smaller amount than is fixed by its Memorandum of Association by subdivision of its existing shares or any of them, subject nevertheless to the provisos to Section 92 (1) and by Special Resolutions – to reduce its capital or any capital redemption reserve fund in any manner authorized and subject to any conditions prescribed by the Ordinance.	**Company may alter its capital in certain ways** The company may so far alter the conditions of its Memorandum of Association as by Special Resolution: a) increase its authorized capital by such amount as it thinks expedient; b) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares, c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum; cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the share so cancelled, subject to the Provisos to Section 85 of the Act.
Alteration in Existing Article No. 23	**Further issue of capital by directors** Subject to the Resolution in General Meeting sanctioning the increase of Share Capital, the Directors shall offer all new shares to the members in proportion to the existing shares held by each member (irrespective of class) and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer, if not accepted, will be	**Further issue of capital by directors** Subject to the provisions of Section 83 of the Act, all new shares shall at the first instance be offered to such persons who, at the date of the offer, are members of the company in proportion to the existing shares held in respective kinds and classes. The offer shall be made by letter of offer specifying the number of shares offered, and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
	deemed to be declined and after expiration of such time, or on receipt of and intimation from the member to whom such notice is given that he declines to accept the shares Offered, the Director shall offer the unsubscribed part to anyone or more institutions as may be specified by the Authority and if the said institutions do not subscribe to the whole or any part of the offer, the Directors may dispose off the same to such person or persons, Companies or Corporations, Government of Pakistan or Provincial Governments, whether Members or not, subject to the provisions of the ordinance in such manner as they in their absolute discretion think fit.	within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person declining to accept the offer, the directors may allot the same in such manner as they think most beneficial to the company within thirty days from the close of the offer.
Alteration in Existing Article No. 26	**Annual General Meetings** A General Meeting shall in accordance with the provision of Section 158 of the Ordinance be held in every calendar year within a period of six months following the close of the financial year of the Company and not more than fifteen months shall be allowed to elapse between any two such General Meetings.	**Annual General Meetings** An Annual General Meeting of the Company will be held once in every calendar year within a period of one hundred and twenty daysfollowing the close of its financial year as required under Section 132 of the Act.
Alteration in Existing Article No. 27	**Extraordinary General Meetings** The above mentioned General Meeting shall be called Annual General Meeting. All other General Meetings shall be called Extra Ordinary Meetings.	**Extraordinary General Meetings** All general meetings of a company other than the statutory meeting or an annual general meeting mentioned in sections 131 and 132 respectively shall be called Extraordinary General Meetings.
Alteration in Existing Article No. 31	**No business to be transacted unless quorum present. How Quorum to be ascertained** No business shall be transacted at any General Meeting unless a Quorum is present when the meeting proceeds to business. For all purposes the quorum shall be three members or representatives of corporations which are members, present in person who represent not less than twenty-five percent of the total voting power of the Company, either of their own account or as proxies.	**No business to be transacted unless quorum present. How Quorum to be ascertained** No business shall be transacted at any General Meeting unless a Quorum is present when the meeting proceeds to business. For all purposes the quorum shall be at least ten members or representatives of corporations which are members, present in person or through video link who represent not less than twenty-five percent of the total voting power of the Company, either of their own account or as proxies

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Substitution of Existing Article No. 34	**Notice of adjournment to be given** The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for twenty-four days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid no member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.	**Notice of adjournment to be given** The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for fifteen days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid no member shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
Alteration in Existing Article No. 40	**Member to have one vote or one vote for every share** Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every member shall have one vote on a show of hands and in case of a poll shall have one vote for every share of which he is the holder.	**Member to have one vote or one vote for every share** Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote except for election of directors in which case the provisions of section 159 shall apply. On a poll every member shall have voting rights as laid down in section 134.
Alteration in Existing Article No. 48	**Appointment and number of Director** Until otherwise determined by a General Meeting, the number of Directors shall not be less than seven nor more than nine. A Director may act before acquiring his qualification, but shall acquire the same within two months after his appointment.	**Appointment and number of Director** the number of Directors shall not in any case be less than that specified in section 154 of the Act.
Alteration in Existing Article No. 49	**Director's qualification** The qualification of a Director shall be the holding of shares of the Company to the nominal value of RS.25, OOO/- at least in his own name and this qualification shall be acquired within two months after appointment.	**Director's qualification** The qualification of a Director shall be the holding of One share of the Company at least in his own name.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in Existing Article No. 51	**Director's remuneration** The remuneration of the Director for performing extra services, including holding of the office of the Chairman shall from time to time be determined by the Directors. But the remuneration of a Director for attending meetings of the Board shall not exceed Rs. 15,000/- for each meeting attended by him. No remuneration shall be paid to the regularly paid Chief Executive and full time working Directors of the Company.	**Director's remuneration** The remuneration of the Director for performing extra services, including holding of the office of the Chairman shall from time to time be determined by the Directors subject to the provisions of the Act.
Alteration in Existing Article No. 52	**Office of directors vacated in certain cases** The Office of a Director shall be vacated; If he absents himself from three consecutive meetings of the Directors for a continuous period of three months, whichever is the longer without leave of absence from the Board.	**Office of directors vacated in certain cases** The Office of a Director shall be vacated; If he or she absents himself/herself from three consecutive meetings of the Directors without leave of absence from the Board.
Alteration in reference of Section in Existing Article No. 53	**Directors may appoint Chief Executive** The Managing, Director shall be the Chief Executive of the Company and the Directors may subject to the provisions of Section 198 to 201 from time to time.	**Directors may appoint Chief Executive** Within fourteen days from the date of election of directors or the office of the chief executive falling vacant, the directors will appoint any person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment as per Section 187 of the Act.
Alteration in reference of Section in Existing Article No. 54	**Removal of Chief Executive** A Managing Director shall if he is not already a Director be deemed to be one and be entitled to all the rights and privileges and subject to all the liabilities of that office. A Managing Director may be removed in the manner provided in Section 202 of the Ordinance.	**Removal of Chief Executive** Chief Executive may be removed in the manner provided in Section 190 of the Act.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in reference of Section in Existing Article No. 60	**Directors may contract with company** Subject to the provisions of Section 196(2) of the Ordinance, a Director may contract with and be interested in any contract or proposed contract with the Company, and shall not be liable to account for any profit made by him by reason of any such contract, provided that the nature of the interest of the Director in any such contract must be declared at a meeting of the Directors as required by Section 214 of the Ordinance. Subject to the provisions of Section 214 (2) of the Ordinance no Director shall vote as a Director in respect of any contract or arrangement in which he shall be interested.	**Directors may contract with company** Subject to the provisions of Section 183 of the Act, a Director may contract with and be interested in any contract or proposed contract with the Company, and shall not be liable to account for any profit made by him by reason of any such contract, provided that the nature of the interest of the Director in any such contract must be declared at a meeting of the Directors as required by Section 205 of the Act. Subject to the provisions of Section 205 of the Act, no Director shall vote as a Director in respect of any contract or arrangement in which he shall be interested.
Alteration in reference of Section in Existing Article No. 62	**Term of office of directors** A Director elected under Section 178 of the Ordinance shall hold office for a period of three years unless he earlier resigns, becomes disqualified from being a Director or otherwise ceases to hold office. A retiring Director shall be eligible for re-election, and shall act as a Director until his successor is elected.	**Term of office of directors** A Director elected under Section 159 of the Act shall hold office for a period of three years unless he earlier resigns, becomes disqualified from being a Director or otherwise ceases to hold office. A retiring Director shall be eligible for re-election, and shall act as a Director until his successor is elected.
Alteration due to requirement under the Act in Existing Article No. 70	**Quorum for Directors' Meeting and casting vote of Chairman** The Director may meet together for the dispatch of the business adjourn and otherwise regulate their meetings as they think fit provided that they shall meet at least twice a year. The quorum for a meeting of the Directors shall not be less than one-third of their number or four whichever is greater. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote. If all the Directors except one are disqualified from voting, the question shall be decided by the Company in General Meeting.	**Quorum for Directors' Meeting and casting vote of Chairman** The Director may meet together for the dispatch of the business adjourn and otherwise regulate their meetings as they think fit provided that they shall meet at least once in a quarter. The quorum for a meeting of the Directors shall not be less than one-third of their number or four, whichever is greater. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote. If all the Directors except one are disqualified from voting, the question shall be decided by the Company in General Meeting.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in Existing Article No. 72	**Chairman of directors** The Directors may from time to time elect a Chairman, who shall preside at meetings of the Directors, and determine the period for which he is to hold office. but if no such Chairman be elected, or if at any meeting the Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting.	**Chairman of directors** The Directors may from time to time elect a Chairman, who shall preside at meetings of the Directors, and determine the period for which he is to hold office, but if no such Chairman be elected, or if at any meeting the Chairman is not present within ten minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be the Chairman of such meeting.
Alteration in Existing Article No. 74	**Chairman of committees** A committee may elect a Chairman of its meetings. If no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be Chairman of the meeting.	**Chairman of committees** A committee may elect a Chairman of its meetings. If no such Chairman is elected, or if at any meeting the Chairman is not present within ten minutes after the time appointed for holding the same, the members present may choose one of their number to be Chairman of the meeting.
Alteration in reference of Section in Existing Article No. 79	**Seal to be affixed by authority of resolution of board** Subject as provided in Article 8 with respect to certificates, the seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors, and in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose, and such Directors and the Secretary or other person as aforesaid shall sign every instrument to which the seal shall be affixed in their presence, and in favour of any person bonafide dealing with the Company such signatures shall be conclusive evidence of the fact that the seal has been properly affixed. The Company may exercise the powers of Section 213 of the Ordinance and such powers are accordingly hereby vested in the Directors.	**Seal to be affixed by authority of resolution of board** As provided in Article 8 with respect to certificates, the seal shall not be affixed to any instrument except with the authority of a resolution of the Board of Directors, and in the presence of at least two Directors and of the Secretary or such other person as the Directors may appoint for the purpose, and such Directors and the Secretary or other person as aforesaid shall sign every instrument to which the seal shall be affixed in their presence, and in favour of any person bonafide dealing with the Company such signatures shall be conclusive evidence of the fact that the seal has been properly affixed. The Company may exercise the powers of Section 203 of the Act and such powers are accordingly hereby vested in the Directors.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Addition of New Article No.81-A after the Existing Article No. 81		**Dividend in specie** 81-A Any dividend may be paid by the company in kind shall only be in the shape of shares of listed company held by the company.
Alteration in Existing Article No. 83	**Dividend warrants to be sent to members by post** When a dividend has been declared, the Managing Directors shall be responsible for making the payment within forty-five days of the declaration. Every dividend warrant shall, unless otherwise directed in writing, be sent by registered post to the last registered address of the member entitled thereto, and the receipt of the person whose name at the date of the declaration of the dividend appears on the register of members as the owner of any share, or, in the case of joint-holders, of anyone of such joint-holders, shall be a good discharge to the Company for all payments made in respect of such share No unpaid dividend shall bear interest as against the Company.	**Dividend warrants to be sent to members by post** When a dividend has been declared, the Chief Executive shall be responsible for making the payment within the period laid down under the Act. The dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholders entitled to the payment of the dividend, as per their direction. Every dividend warrant shall, unless otherwise directed in writing, be sent by registered post to the last registered address of the member entitled thereto, and the receipt of the person whose name at the date of the declaration of the dividend appears on the register of members as the owner of any share, or, in the case of joint-holders, of anyone of such joint-holders, shall be a good discharge to the Company for all payments made in respect of such share No unpaid dividend shall bear interest as against the Company.
Alteration in Existing Article No. 85	Accounts to be kept the Directors shall cause such accounts to be kept- a) of the assets and liabilities of the Company, b) of all sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, of all sales and purchases of goods by the Company, as are necessary to give a true and fair view of the Company's affairs and to explain its transactions. The books of account shall be kept at the office, or at such other place as the Directors shall think fit, and shall always be open to the inspection of the Directors.	**Accounts to be kept** The directors shall cause to be kept proper books of account as required under section 220 of the Act. The books of account shall be kept at the registered office of the company or at such other place as the directors shall think fit and shall be open to inspection by the directors during business hours.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in Existing Article No. 87	**Annual Financial Statements to be laid before members** Once at least in every year the Directors shall lay before the Company in General Meeting a profit and loss account for the period since the preceding account, made up to a date not more than six months before such meeting. A balance sheet shall also be made out in every year as at the date to which the profit and loss account is made up, and shall be laid before the Company in General Meeting. The said account and balance sheet shall be accompanied by such reports and documents and shall contain such particulars as are prescribed by the Ordinance and the Directors shall in their report state the amount which they recommend to be paid by way of dividend, the amount (if any) which they propose to carry to any reserve fund and other matters specified in Section 236 of the Ordinance. The Auditors report shall be attached to the balance sheet and 'shall be read before the Company in General Meeting and be open to inspection by any member as required by Section 233 (4) of the Ordinance. At least 21 days before the date of Annual General Meeting, a copy of the audited balance sheet, profit &Loss account together with relevant reports shall be sent to the registered address of every member of the Company.	**Annual Financial Statements to be laid before members** In accordance with the provisions of Section 223 of the Act, the board of every company must lay before the company in annual general meeting its financial statements since the preceding financial statements, made up to the date of close of financial year of the company. The financial statements must be laid within a period of **one hundred and twenty days** following the close of financial year of a company. The company shall send audited financial statements together with the auditors' report, directors' report and the chairman's review report to every member of the company to the members at their registered address, through CD/DVD/USB instead of transmitting the said accounts in hard copies and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of Annual General Meeting. The Company shall also send by post three copies and electronically a copy of such financial statements together with said reports to the Commission, registrar and the securities exchange and also post the same on the Company's website.
Alteration in reference of Section in Existing Article No. 88	**Appointment of Auditors and their duties** Once at least in every year the accounts of the Company shall be examined, and the correctness of the profit and loss account and balance sheet ascertained by one or more Auditor or Auditors, and the provisions of Sections 252 to 257 of the Ordinance and any modification or re-enactment thereof for the time being in force in regard to audit *and* Auditors shall be observed.	**Appointment of Auditors and their duties** Auditors will be appointed and their duties regulated in accordance with the provisions under Sections 246 to 249 of the Act.

EXISTING ARTICLE NOS.	EXISTING ARTICLES (BEFORE ALTERATION)	PROPOSED ARTICLES (AFTER ALTERATION)
Alteration in Existing Article No. 89	**Service of notices by company** A notice may be given by the Company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in Pakistan) to the address, if any, supplied by him to the Company for the giving of notices to him. Notices to members resident outside Pakistan shall be sent to them by air mail.	**Service of notices by company** A notice may be given by the company to any member at his registered address or if he has no registered address in Pakistan, at the address, if any, supplied by him to the company for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified by the Commission.

Special Business No.3

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. However, the majority of Directors of the Company were relateddue to their common directorship and holding of shares in the associated companies, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification/approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in Code of Corporate Governance for such transactions and Companies Act, 2017. Pursuant to the above, these transactions have to be approved/ratified by the shareholders in the General Meeting. The directors and their relatives have no direct or indirect interest in the aforesaid business except to the extent of their shareholding/common directorship with the related parties.

Special Business No.4

Due to composition of Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. Therefore, the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and / or 208 of the Companies Act, 2017, for the year ending June 30, 2021, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis. Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material and purchase of packaging material with the related parties. The shareholders would appreciate that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with policy of the Company. Such transactions shall be presented in the next annual general meeting of shareholders for their formal approval/ratification.

Special Business No.5

Fatima Energy Limited ("FEL") was incorporated in Pakistan on June 22, 2004 as a public Company under the Companies Ordinance 1984. The principal activity of FEL is to build, own and operate a co-generation power plant of 120 MW. The Board of Directors of the Company in their meeting held on October 29, 2020 approved the facility of upto Rs 500 million as loan / advance. This facility will facilitate the FEL to meet its financial requirements. The management expects that the transactions are to be beneficial for the Company as this will enhance the return on funds available with the Company.

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

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

Special Business -1

<table>
<tr><th>S . N o</th><th>NATURE OF INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO THE COMPANIES (INVESTMENTS IN ASSOCIATED COMPANIES OR UNDERTAKINGS) REGULATIONS, 2017</th><th>RELEVANT INFORMATION</th><th>RELEVANT INFORMATION</th></tr>
<tr><td>(a)</td><td colspan="2">Disclosure for all types of investments</td><td></td></tr>
<tr><td></td><td colspan="2">(A) Regarding associated company or associated undertaking: -</td><td></td></tr>
<tr><td></td><td></td><td>Special Business No. 1- Loan Investment upto Rs 6,000 Million</td><td>Special Business No. 5- Loan Investment upto Rs 500 Million</td></tr>
<tr><td></td><td>(i) Name of associated company or associated undertaking</td><td>Fatima Energy Limited (FEL)</td><td>Fatima Energy Limited (FEL)</td></tr>
<tr><td></td><td>(ii) Basis of relationship</td><td>(“FEL”) is Associated Undertaking.</td><td>(“FEL”) is Associated Undertaking.</td></tr>
<tr><td></td><td>(iii) Earnings per share for the last three years (PKR)</td><td>June 30, 2020 Rs. (0.58) / share
June 30, 2019 Rs. (0.49) / share
June 30, 2018 Rs. (0.31) / share</td><td>June 30, 2020 Rs. (0.58) / share
June 30, 2019 Rs. (0.49) / share
June 30, 2018 Rs. (0.31) / share</td></tr>
<tr><td></td><td>(iv) Break-up value per share, based on the latest audited financial statements</td><td>Rs. 6.2 approximately.</td><td>Rs. 6.2 approximately.</td></tr>
<tr><td></td><td>(v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and</td><td><table><tr><th>Particulars</th><th>FEL
(Rs in million)</th></tr><tr><td></td><td></td></tr><tr><td>Paid up capital</td><td>5,700.00</td></tr><tr><td>Accumulated loss</td><td>(1,202.20)</td></tr><tr><td>Total liabilities</td><td>29,240.00</td></tr><tr><td>Total assets</td><td>33,738.00</td></tr><tr><td>Sales</td><td>672.041</td></tr><tr><td>Net Profit/loss</td><td>(465.350)</td></tr><tr><td>Net assest</td><td>(4493.00)</td></tr></table></td><td><table><tr><th>Particulars</th><th>FEL
(Rs in million)</th></tr><tr><td></td><td></td></tr><tr><td>Paid up capital</td><td>5,700.00</td></tr><tr><td>Accumulated loss</td><td>(1,202.20)</td></tr><tr><td>Total liabilities</td><td>29,240.00</td></tr><tr><td>Total assets</td><td>33,738.00</td></tr><tr><td>Sales</td><td>672.041</td></tr><tr><td>Net Profit/loss</td><td>(465.350)</td></tr><tr><td>Net assest</td><td>(4493.00)</td></tr></table></td></tr>
<tr><td></td><td>(vi) In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely: (I) description of the project and its history since conceptualization;. (II) starting date and expected date of completion of work; (III) time by which such</td><td>(I) Fatima Energy Limited was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Ordinance, 1984. The principal activity of the Company is to build, own, operate and maintain a co-generation power plant of 118.8 MW (the Project). The Project is located at Sanawan, Tehsil KotAddu, and District Muzaffargarh in</td><td>(I) Fatima Energy Limited was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Ordinance, 1984. The principal activity of the Company is to build, own, operate and maintain a co-generation power plant of 118.8 MW (the Project). The Project is located at Sanawan, Tehsil KotAddu, and District Muzaffargarh in the</td></tr>
</table>

	project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	the province of Punjab. The FEL generation license allows to sell power to Bulk Power Consumers as well as to the CPPA (G). (II) The project was taken over from EPC contractor in May 2017 and duly tested through dispatch during the period from August 2019 to December 2019 under wheeling arrangement. **COD is yet to be declared**. (III) FEL has currently applied to various DISCOs for Energy Wheeling Agreement (the EWA) which is in process, however, the EWA with MEPCO is already in place and FEL has supplied power to various export sector companies under this agreement during the last years. Since the wheeling concept is being practiced first time by many DISCOs therefore, approval of energy wheeling agreement is taking time thereby delaying substantially optimum generation and output. As soon as the EWAs are executed with DISCOs, FEL shall start operations immediately at full capacity. (iv) In addition to above, the management of FEL expects that it would be able to achieve its optimum capacity shortly, which will enable sufficient cash in flows to repay its obligations as well as payout to its shareholders. (IV) Cash	province of Punjab. The FEL generation license allows to sell power to Bulk Power Consumers as well as to the CPPA (G). (II) The project was taken over from EPC contractor in May 2017 and duly tested through dispatch during the period from August 2019 to December 2019 under wheeling arrangement. **COD is yet to be declared**. (III) FEL has currently applied to various DISCOs for Energy Wheeling Agreement (the EWA) which is in process, however, the EWA with MEPCO is already in place and FEL has supplied power to various export sector companies under this agreement during the last years. Since the wheeling concept is being practiced first time by many DISCOs therefore, approval of energy wheeling agreement is taking time thereby delaying substantially optimum generation and output. As soon as the EWAs are executed with DISCOs, FEL shall start operations immediately at full capacity. (iv) In addition to above, the management of FEL expects that it would be able to achieve its optimum capacity shortly, which will enable sufficient cash in flows to repay its obligations as well as payout to its shareholders. (IV) Cash
(B)	**General Disclosure: -**		
	(I) maximum amount of investment to be made;	Maximum amount of investment reduced from 9028 m Upto Rs 6,000 million (Six Thousand Rupees Only)	Rs upto 500 Million

	(II) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To facilitate the investee company to continue its operations and meet its obligations towards its lenders. The Company will earn mark up on this loan investment. The company owns a substantial quantity of shares of FEL and stands to earn handsome dividend once FEL operations start.	To facilitate the investee company to continue its operations and to meet its financial neends. The Company will earn mark up on this loan investment. The company owns a substantial quantity of shares of FEL and stands to earn handsome dividend once FEL operations start
	(III) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	The loan will be made from internal cash generations of the Company. Not applicable	The loan will be made from internal cash generations of the Company. Not applicable
	(IV) salient features of the agreement(s), if any, with associated company or associated undertaking	The shareholders of the company has approved the company to enter into sponsor support agreement with FEL and its lender banks to invest up to Rs 9028 million in case of default by FEL to repay its debt obligations towards its lenders. As a result of restructuring of FEL's debt by its lenders, the maximum amount of investment by way of a subordinated loan in FEL, required to be made by the Company only in case of default by FEL in repayment of its obligations/liabilities towards FEL's lenders, has been reduced from Rs.9.028 billion to Rs. 6.000 billion. This amount will be invested over a period of 20 years	The Company will charge markup at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company. This loan will be repaid by FEL after repayment of outstanding loans of FEL's lenders with in ten semi annual installments. This investment will be made till October 15, 2023.

	(IV) salient features of the agreement(s), if any, with associated company or associated undertaking	starting from December 2020. The Company will charge markup at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company. This loan will be repaid by FEL after repayment of outstanding loans of FEL's lenders.	
	(V) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	The Directors have no special interest except their personal shareholding in FEL.	The Directors have no special interest except their personal shareholding in FEL.
	(VI) in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and	The company has already made an equity investment upto Rs 1374million against which shares have been issued in name of the company. A loan investment of Rs 2,497 million has also been made under the authority of shareholders approval and mark up on it is being accounted for in regular way accordingly.	The company has already made an equity investment upto Rs 1374million against which shares have been issued in name of the company. A loan investment of Rs 2,497 million has also been made under the authority of shareholders approval and mark up on it is being accounted for in regular way accordingly.
	(VII) any other important details necessary for the members to understand the transaction;	Not Applicable	Not Applicable
(C)	**In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made: -**		
	(I) category-wise amount of investment;	Loan / advance - upto Rs, 6000 million by way of loan investment which will be disbursed only in case of default by FEL to repay its debt obligations towards its bank lenders.	upto Rs, 500 million by way of loan investment.
	(II) average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the	The current average borrowing cost of the Company is ranging KIBOR+1%	The current average borrowing cost of the Company is ranging KIBOR+1%

	relevant period, rate of return for Shariah compliant products and		
	(III) rate of return for unfunded facilities, as the case may be, for the relevant period;	Not Applicable	Not Applicable
	(IV) rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;	at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company	at the rate the higher of (a) KIBOR + 1.50%; or (b) a rate not less than the borrowing cost of the Company
	(V) particulars of collateral or security to be obtained in relation to the proposed investment;	The Loan is unsecured.	The Loan is unsecured.
	(VI) if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	No conversion feature.	No conversion feature.
	(VII) repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Loan is sub ordinated to outstanding bank loans of FEL obtained by it to set up its power plant and will be repaid after FEL repays its outstanding bank loan.	Loan is sub ordinated to outstanding bank loans of FEL obtained by it to set up its power plant and will be repaid after FEL repays its outstanding bank loan. The loan will be repaid in ten semi annual installments. In case the repayment is not paid in agreed due time additional markup at rate of 0.5 % will be charged on the over due amount till repayment.

Statement Under Regulation 4 (2) of the Investment in Associated Companies' Regulations,2017

Name of Investee company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)	
Total investment approved	Rs. 300 Million loan was approved in AGM on October 31, 2015 and will be repayable within ten year from date of disbursal. Period of Investment till October 15, 2021.	The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017.	The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to Rs 9028 million.	Rs. 2,000 million loan investment was approved in AGM on Oct 27, 2018 with period of investment till October 15, 2021.
Amount of investment made to date	Rs 72 million	NIL	400 million	Rs 1,597million

Statement Under Regulation 4 (2) of the Investment in Associated Companies' Regulations,2017

Name of Investee company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)	
Reasons for not having made complete investment so far where resolution required it to be implemented in specific time	Further funds request has not yet been made by the investee company.	Outstanding amount to NIB on behalf of FTCL will be paid in case of default by FTCL or in case any demand by lender of FTCL under SSA.	Outstanding amount to Lenders on behalf of FEL will be paid in case of default by FEL or in case any demand by lender of FEL under SSA.	Further investment will be made depending on demand received from investee company.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	As per audited financial statements for the year ended June 30, 2015, the basic earnings per share was Rs. (8.78) / Shares and breakup value of share was Rs. 1.22 / share. As per latest available financial statements for the year ended June 30, 2020 the Earnings per share is Rs. (0.0045) and breakup value per share is Rs. 4.72.		As per financial statements for the year ended June 30, 2016, the basic earnings per share was Rs. (0.09) / Share and breakup value of share was Rs. 9.8 / share. As per latest available financial statements for the year ended June 30, 2020 the earnings per share is Rs. (0.81) and breakup value per share is Rs. 7.89.	

CHAIRMAN'S REVIEW

I am pleased to present the review on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

The Company follows the best practices relating to corporate governance and complies with the relevant requirements of Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to composition, meetings and procedures of the Board of Directors (the "Board") and its Committees. Elections of the Board were held at 30 May 2020 to elect the directors for the next term of three years because previous Board had completed its tenure. The new Board has nine members with diverse background having core competencies, knowledge, skills and experience relevant to the business of the Company. I am pleased to inform that Mr. Babar Ali, Mrs. Parveen Akhtar Malik and Mr. Masood Karim Shaikh joined the Board as independent directors.

The Directors of your company are well aware with their responsibilities, under the applicable regulations, for governance of the company in an effective and efficient manner. Evaluation of the board of Directorsis aimed to measure the Board overall performance and conduct of the company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory. During the financial year 2019-20 five Board meetings were convened. The Board has duly formulated a vision and mission statement, is actively involved in formulation of appropriate policies and procedures and ensures due compliance with all the regulatory requirements. It closely monitors the performance of its sub committees and is committed to uphold and stable operation.
.
During the year, the board considered and approved,among other things, quarterly and annual financial statements, appointments of external auditors, distribution of dividend and financial matters.

I am thankful to the members of the Board of Directors of the Company, shareholders, bankers, financial institutions, our valued customers and suppliers for their support and assistance. I also thank the executives and other employees of the Company for their dedication and hard work and look forward to getting the same cooperation in future.

Multan
Date: October 29, 2020

(Sh. Naseem Ahmed)
Chairman

چیئر مین کا جائزہ

مجھے بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے کردار کی تاثیر پر جائزہ پیش کرنے پر خوشی ہے۔۔

کمپنی کارپوریٹ گورننس سے متعلق بہترین طریقوں کی پیروی کرتی ہے اور بورڈ آف ڈائریکٹرز کی تشکیل، میٹنگوں اور طریقہ کار کے سلسلے میں کمپنیوں ایکٹ، **2017** اور درج کمپنیوں (کارپوریٹ گورننس کا ضابطہ) ریگولیشنز، **2019** کی متعلقہ ضروریات کی تعمیل کرتی ہے۔"بورڈ") اور اس کی کمیٹیاں۔ ۔بورڈ کے انتخابات **30** مئی **2020** کو تین سال کی اگلی مدت کے لئے ڈائریکٹرز کے انتخاب کے لئے ہوئے تھے کیونکہ پچھلے بورڈ نے اپنا دورانیہ مکمل کرلیا تھا۔ نئے بورڈ میں نو ممبران ہیں جن میں متنوع پس منظر ہے جس میں بنیادی قابلیت، علم، مہارت اور کمپنی کے کاروبار سے متعلق تجربہ ہے۔ ۔مجھے یہ بتاتے ہوئے خوشی ہو رہی ہے کہ مسٹر بابر علی، مسز پروین اختر ملک اور مسٹر مسعود کریم شیخ آزاد ڈائریکٹر کی حیثیت سے بورڈ میں شامل ہوئے۔

آپ کی کمپنی کے ڈائریکٹرز موثر انداز میں کمپنی کی حکمرانی کے لئے قابل اطلاق قواعد وضوابط کے تحت اپنی ذمہ داریوں سے بخوبی واقف ہیں۔ ۔بورڈ آف ڈائریکٹرز کی کارکردگی کی تشخیص کا مقصد کارپوریٹ گورننس کے بہترین طریقوں کے مطابق بورڈ کی مجموعی کارکردگی اور کمپنی کے امور کے طرز عمل کی پیمائش کرنا ہے۔ جائزہ لینے والے سال کے لئے، تشخیص کی بنیاد پر، بورڈ کی مجموعی کارکردگی اور تاثیر کو اطمینان بخش قرار دیا گیا ہے۔ ۔مالی سال **2019-20** کے دوران بورڈ کے پانچ اجلاس بلائے گئے تھے۔ ۔بورڈ نے ایک وژن اور مشن کا بیان باقاعدگی سے مرتب کیا ہے، مناسب پالیسیوں اور طریقہ کار کی تشکیل میں سرگرم عمل ہے اور تمام ریگولیٹری ضروریات کی مناسب تعمیل کو یقینی بناتا ہے۔ ۔یہ اپنی ذیلی کمیٹیوں کی کارکردگی پر کڑی نظر رکھتا ہے اور اس کو برقرار رکھنے اور مستحکم آپریشن کے لئے پرعزم ہے۔

سال کے دوران، بورڈ نے دیگر چیزوں کے علاوہ، سہ ماہی اور سالانہ مالی بیانات، بیرونی آڈیٹرز کی تقرری، منافع کی تقسیم اور مالی معاملات پر غور اور منظوری دی۔ میں کمپنی کے بورڈ آف ڈائریکٹرز کے ممبران، حصص یافتگان، بینکروں، مالیاتی اداروں، ہمارے قابل قدر صارفین اور سپلائرز کی مدد اور مدد کے لئے ان کا شکریہ ادا کرتا ہوں۔ ۔میں کمپنی کے ایگزیکٹوز اور دیگر ملازمین کی ان کی لگن اور محنت کے لئے بھی ان کا شکریہ ادا کرتا ہوں اور مستقبل میں بھی وہی تعاون حاصل کرنے کے منتظر ہوں۔

شیخ نسیم احمد

چیئر مین

تاریخ: **29** اکتوبر **2020**

ملتان

Directors Report

The Directors of Fazal Cloth Mills Limited (the Company) are pleased to present annual report of the Company for the year ended 30 June 2020 along with the financial statements and auditors' report thereon.

COMPANY'S AFFAIRS

Fazal Cloth Mills Limited (The Company) was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the company are quoted on Pakistan Stock Exchange. The registered office of the company is situated at 69/7, Abid Majeed Road, Survey No 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of textile goods.

FINANCIAL REVIEW

Financial Performance

Profit after tax of the Company decreased to Rupees 400.72 million during the year ended 30 June 2020 as compare to Rupees 1,515.50 million during the last year. The main reasons for decrease in the profit of the Company were decrease in sales, exchange loss on foreign currency, and increase in finance cost of the Company. Sales decreased and Rupee unexpectedly devalued against the US $ due to the Covid-19 pandemic. Finance costs remained high due to very high interest rates that prevailed during the year.

Following is a summary of the key financial numbers:

Financial Highlights	2020	2019	Increase / (decrease)
	Rupees in ('000')	Rupees in ('000')	% age
Sales – net	34,416,031	36,341,097	-5.30%
Cost of sales	30,314,620	32,009,553	-5.30%
Gross profit	4,101,411	4,331,543	-5.31%
EBITDA	4,599,946	5,249,975	-12.38%
Depreciation	1,078,897	991,566	8.81%
Finance cost	2,558,313	1,894,234	35.06%
Other income	547,320	686,283	-20.25%
Profit before tax	962,735	2,364,175	-59.28%
Profit after tax	400,718	1,515,503	-73.56%
Earnings per share – Rs	13.36	50.52	-73.56%

Sales of the Company decreased by Rupees 1,925.07 million (5.30%) in the current year as compared to the last year. The main reason was decrease in export sales as well as local sales due to lock down during the last quarter.

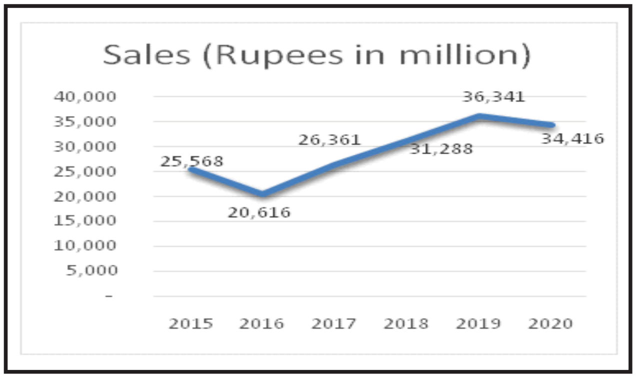
Cost of Sales decreased by Rupees 1,694.93 million (5.30%) in the current year as compared to the last year; mainly due to decrease in sales.

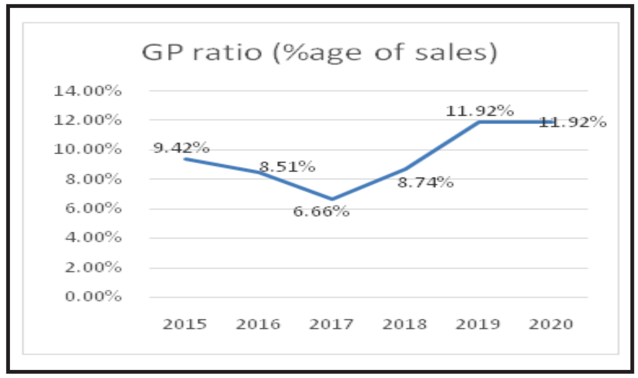
Gross profit ratio of the Company is 11.92% in the current year as compared to 11.92% in the last year.

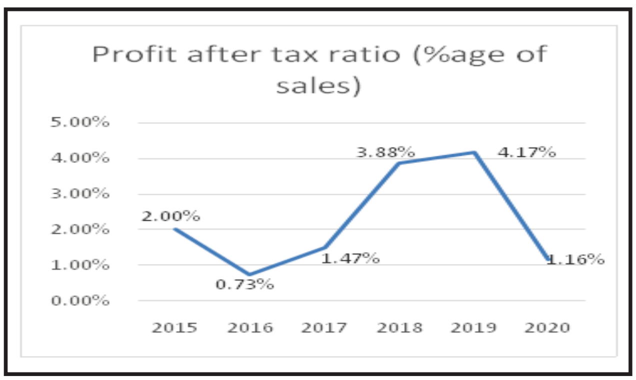
The Company received dividend income of Rupees 138.23 million during the year as compared Rupees 120.95 million during the last year.

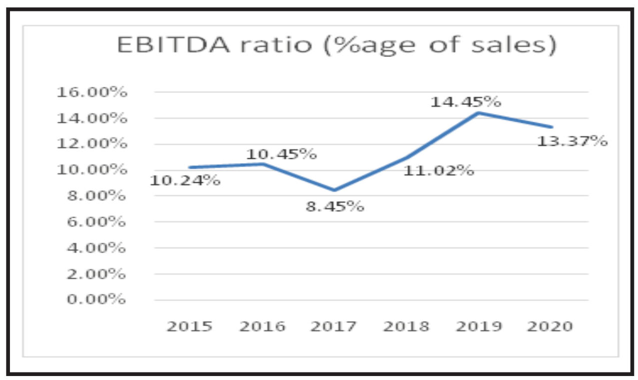
EBITDA of Rupees 4,599.94 million was generated as compared to Rupees 5,249.97 million last year. EBITDA per share is Rupees 153.33 (2019: Rupees 174.99).

Finance cost of the Company recorded an increase of 35.06% in the current year as compared to the last year. The main reasons for such increase was KIBOR which remained high during the year as compare to last year and increase in long term loans of the Company.



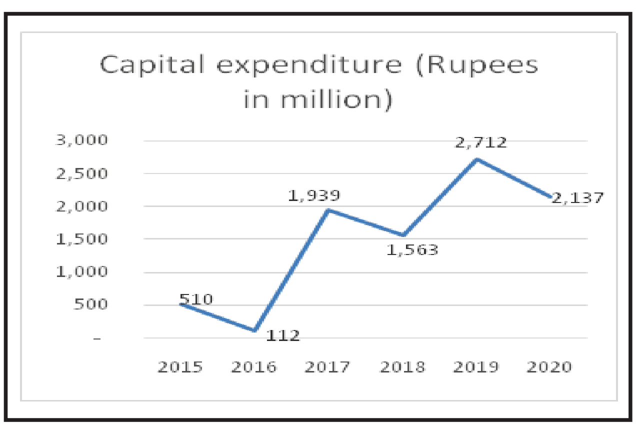


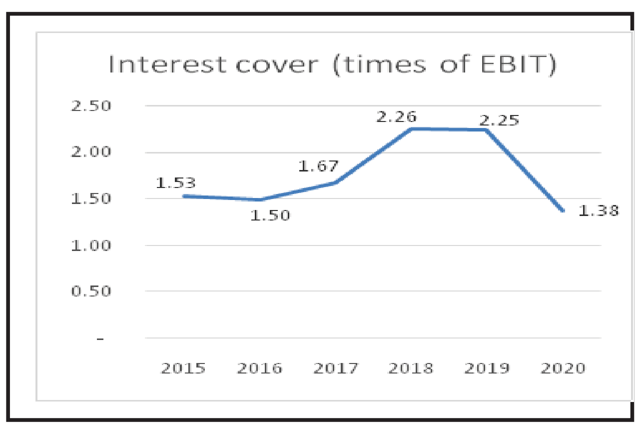




Capital Expenditure

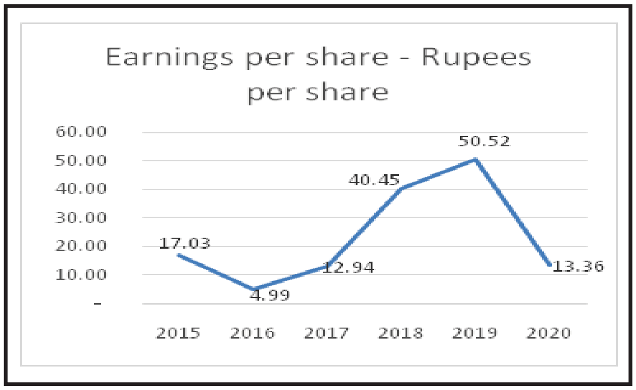
The Company incurred Capital Expenditure of Rupees 2,137.26 million during the year for modernization and expansion of its plant.

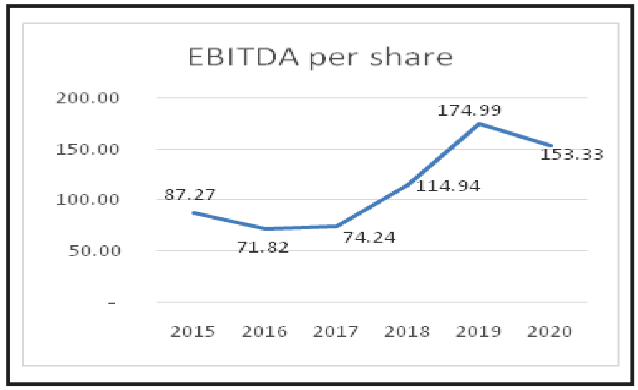




Earnings per Share (EPS)

EPS of the Company decreased by Rupees 37.16 per share during the year.





FUTURE OUTLOOK

Future outlook appears promising, albeit uncertain, for the textile sector as a whole and your Company in particular. Demand for textile products remains strong in the domestic and international markets. With the grace of Allah, Pakistan has faced the Covid-19 pandemic without a heavy loss of life or widespread sickness. As a result domestic economy has recovered at a quick pace with a classic V shaped recovery. Timely and well-designed policy measures by SBP and GOP have ensured sufficient liquidity in the market. High prices for agricultural commodities have increased rural income resulting in improved demand for textile products. Retailers preference to buy from countries other than China has improved demand for Pakistani textile products resulting in an increase in exports as well. Due to a competitive exchange rate, regionally competitive energy prices and sharp reduction in interest rate, prices of textile products from Pakistan remain internationally competitive. As a result, your management expects better performance and higher profitability in the current year.

Unfortunately, the cotton crop in Pakistan has failed again this year. Market expects total crop to be only 7 million where as consumption is 15 million per year. In spite of being an agricultural country, lack of research and regulatory issues have hindered development of a good quality cotton seed. As a result, cotton crop has gone from bad to worse. It is high time that GOP took notice of this situation and formulate a policy to restore cotton production in Pakistan. Without a healthy crop, long term viability of textile industry and exports from Pakistan will remain challenged.

TRANSACTIONS IN THE COMPANY'S SHARES

Your Directors and Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have made following transactions in the Company's shares:

Description	Sh. Naseem Ahmad & Mst. Nishat Naseem	Amir Naseem Sh, Mrs. Mahnaz Amir Sh. & Minor Children	Rehman Naseem & Minor Children	Fazal Ahmad Sheikh & Minor Children	Fahd Mukhtar	Faisal Ahmed & Minor Children	Mr. Masood Karim Sheikh	Ms. Praveen Akhtar Malik	Mr. Babar Ali	Company Secretary	CFO
Balance as on 01-07-2019	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550	-	-	-	-	-
Purchase	-	-	-	-	-	-	1	1	1	1	1
Bonus	-	-	-	-	-	-	-	-	-	-	-
Inherited	-	-	-	-	-	-	-	-	-	-	-
Received as Gift	-	-	-	-	-	-	-	-	-	-	-
Transferred as gift	-	-	-	-	-	-	-	-	-	-	-
Sold	-	-	-	-	-	-	-	-	-	-	-
Closing Balance as on 30-06-2020	**8,820**	**2,930,552**	**3,101,320**	**4,067,550**	**579,715**	**4,067,550**	**1**	**1**	**1**	**1**	**1**

MEETINGS OF THE BOARD OF DIRECTORS

During the year 2019-2020, five board meetings were held which were attended as follows:

Names of Directors	Designation	BOD Meeting	HR&R Meeting	Audit Committee Meeting
Mr. Sheikh Naseem Ahmad	Chairman	5	-	4
Mr. Rehman Naseem	Chief Executive Officer	5	-	-
Mr. Fazal Ahmed Sheikh	Director	3	-	-
Mr. Faisal Ahmed	Director	4	3	-
Mr. Fahd Mukhtar	Director	4	-	3
Mr. Amir Naseem Sheikh	Director	5	3	-
Mr. Babar Ali	Independent Director	5	3	4
Mr. Masood Karim Shaikh	Independent Director	1	-	-
Ms. Parveen Akhter Malik	Independent Director	1	-	-

SAFETY, HEALTH & ENVIRONMENT (SHE)

The Company is committed to provide a safe, injury-free workplace where everyone is healthy, energized and protects the society. SHE remains a priority for the Company at all levels and this year we focused on bringing an attitudinal change in the SHE culture by creating awareness and providing strong feedback on safety performance. The Company conducts regular testing of waste water, stack emission and machinery noise. The Company also regularly carries out tree plantation drive at its offices and factories.

RISK MANAGEMENT

The Company is exposed to operational, financial and compliance risk which are mitigated through effective risk management framework, coupled with our internal controls, helps us maintain our focus on managing the potential risks affecting our business. Internal Audit department provides independent report to the board of directors on effectiveness of risk management and control processes.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The company developed standards for the management of operational risk in the various areas like requirements for the reconciliation and monitoring of transactions, compliance with regulatory and other legal requirements, documentation of controls and procedures etc.

Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has established an effective and efficient system of internal and financial controls to safeguard the assets of the Company, prevent and detect fraud and ensure compliance with all statutory and legal requirements. The internal control structure is regularly reviewed and monitored by the Internal Audit function duly established by the Board. Audit Committee reviews the internal control system on quarterly basis in accordance with the term of its reference.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company considers CSR as a fundamental responsibility and strives to be a good corporate citizen. The Company contributes to society by supporting public health and education facilities.

Further as CSR measures, during the year the company emphasized more on Occupational Safety and Health of the workers and staff as the most important thing for the Company. After the outbreak of corona virus pandemic in the third quarter of the year, the Company immediately formulated a crisis management team which implemented the directives issued by Punjab Government regarding preventing the spread of the disease. The team launched a campaign at all locations of the Company and its surrounding for the awareness of appropriate precautions which an individual should take to save himself / herself and colleagues. The Company also regularly organizes medical camps and regular fumigation is carried out at premises of all manufacturing facilities by using fogging machines to prevent viral diseases.

SUBSEQUENT EVENTS

No material changes and commitments affecting the financial position of the Company occurred between 30 June 2020 to date of this director's report.

RELATED PARTIES

All related party transactions during the financial year ended June 30, 2020 were reviewed by the Audit Committee and approved by the Board of Directors. Transactions entered into by the company in its ordinary course of business on an arm's length basis.

CORPORATE GOVERNANCE

Best Corporate Practices

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule Book of Pakistan Stock Exchange. The statement of compliance with the CCG is enclosed.

1. Upon maturity of the Board of Directors' current term, the election of directors has been held on 30 May 2020, whereby three independent directors, one of which is female, are elected to comply with the provisions of Listed Companies (Code of Corporate Governance) Regulations 2019. The total number of directors are nine as per the following:

    a. Male: Eight

    b. Female: One

2. The composition of Board is as follows:

Category	Names
Independent Director	1. Mr. Babar Ali 2. Mr. Masood Karim Shaikh 3. Ms. Parveen Akhter Malik
Non-Executive Directors	4. Mr Sheikh Naseem Ahmad 5. Mr Faisal Ahmad, 6. Mr Fahd Mukhtar and
Executive Directors	7. Mr Rehman Naseem 8. Mr Amir Naseem 9. Mr Muhammad Mukhtar Sheikh

Mr. Fazal Ahmad Sheikh completed his tenure along with other directors on May 29, 2020 and did not file consent and contest for next tenure.

1. The board has formed committees comprising of members given below:

Name of Committee	Name of Members and Chairman
Audit Committee	1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Sheikh Naseem Ahmed – Member 3. Mr. Fahd Mukhtar– Member
Human Resource and Remuneration Committee	1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Fahd Mukhtar – Member 3. Mr. Faisal Ahmed – Member

Non-executive and Independent directors are entitled only to a fee for attending company's meeting. The Company will reimburse or incur expenses of traveling and accommodation of Directors in relation to attending of the Board and its Committees' meetings. Remuneration of executive directors shall be approved by the Board. For information on remuneration of Directors and CEO in 2019-20, please refer notes to the Financial Statements.

Directors' Statement

Following is the Directors' statement on Corporate and Financial Reporting framework:

- The financial statements for the year ended June 30, 2020, present fairly the state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2020 and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFR's) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2020 is annexed.

DIVIDEND ANNOUNCEMENT

Your Directors have proposed nil cash dividend (2019: 10.50 per share cash dividend).Your Company has availed the facility of one year's deferment of repayments of outstanding long term loans falling due from March, 2020 onward, under the Relief Package of State Bank of Pakistan announced due to Covid-19 pandemic. Company has to comply the terms and covenants of this facility which restricts the Company to pay dividend during the deferment period.

SUBSIDIARY COMPANY

The Company has also annexed its consolidated financial statements along with separate financial statements in accordance with the requirements of International Financial Reporting Standards and Companies Act, 2017.

Following is a brief description of subsidiary company of Fazal Cloth Mills Limited:

The Company owns 100.00% shares of its subsidiary Fazal Weaving Mills Limited. FWML was incorporated in Pakistan in 1989 as a Public Limited company under the Companies Ordinance, 1984 and commenced its commercial production on April 01, 2014. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is engaged in the manufacture and sale of yarn. The manufacturing facility of the Company is located at Mauza Khairabad Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab.

AUDITORS

M/s. KPMG Taseer Hadi & Co., Chartered Accountants, auditors of the Company retire and being eligible offers themselves for reappointment for the year2020-2021.

MANAGEMENT/LABOUR RELATIONS

The management/labor relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that by investing in our people we invest in our future. The Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labor. The employees and management of the Company continued to make joint efforts to keep up high standards of productivity. Relationship of management and employees continued to remain in total harmony. The board wishes to place on record its deep appreciation to all of them for their hard work and dedication to achieve these results.

For and on behalf of the Board

Dated: October 29, 2020

(Aamir Naseem Sheikh)
Director

(Rehman Naseem)
Chief Executive Officer / Director

ڈائریکٹرز رپورٹ

ڈائریکٹران فضل کلاتھ ملز لمیٹڈ (کمپنی) بخوشی کمپنی کی سالانہ رپورٹ پیش کرتے ہیں جو کہ برائے سال اختتام پذیر 30 جون 2020 جسکے ہمراہ مالیاتی گوشوارہ اور پڑتال کنندگان کی رپورٹ بھی شامل ہے۔

کمپنی کا تعارف

کمپنی سال 1966 میں معرض وجود میں آئی اور پاکستان سٹاک ایکسچینج میں لسٹڈ ہے۔کمپنی کا بنیادی کاروبار ٹیکسٹائل مصنوعات کی تیاری اور خرید وفروخت ہے۔

کپمنی کا مالیاتی جائزہ

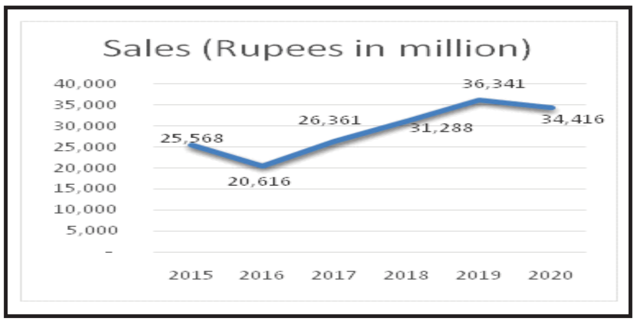
ٹیکس کی کٹوتی کے بعد منافع میں کمی دیکھی گئی جو کہ موجودہ سال جو 30 جون 2020 کو اختتام پذیر ہوا مبلغ 400.72 ملین رہا جو کہ پچھلے سال مبلغ 1,515.50 ملین تھا۔ منافع میں کمی کی اصل وجہ سیلز میں کمی، بیرونی کرنسیوں میں تبدیلی کے نقصانات اور مالیات پر صرف ہونے والی لاگت میں اضافہ ہے۔ سیلز میں کمی ہوئی اور روپے کی قدر ڈالر کے مقابلے میں غیر متوقع انداز میں کم ہوئی۔ مالیات پر اٹھنے والی لاگت زیادہ رہی کیونکہ اس سال شرح منافع زیادہ تھی۔

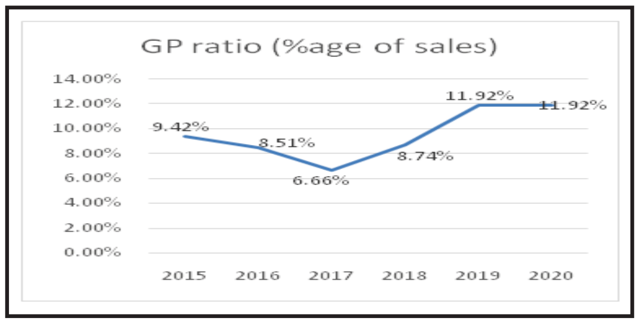
ذیل میں مالیتی احوال سے متعلق اعداد وشمار دکھائے گئے ہیں۔

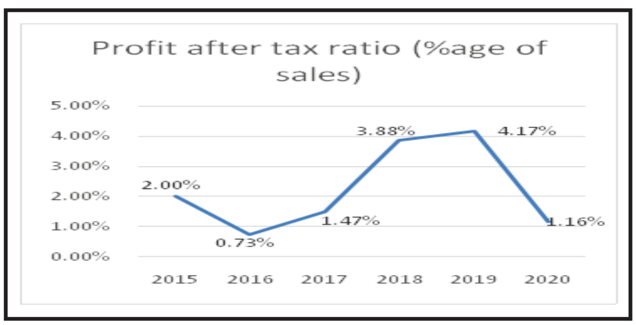
مالیاتی سرخیاں مستحکم مالیاتی اعداد وشمار	2020 روپیہ بطور (000)	2019 روپیہ بطور (000)	اضافہ/کمی فیصد
فروختگی	34,416,031	36,341,097	-5.30%
فروختگی کی لاگت	30,314,620	32,009,553	5.30%
گراس منافع	4,101,411	4,331,543	5.31%
فرسودگی اور مالیاتی اخراجات سے پہلے کا منافع	4,599,946	5,249,975	12.38%
فرسودگی	1,078,897	991,566	8.81%
مالیاتی خرچہ	2,558,313	1,894,234	35.06%
دوسری آمدن	547,320	686,283	-20.25%
منافع قبل از ٹیکس	962,735	2,364,175	-59.28%
منافع بعد از ٹیکس	400,718	1,515,503	-73.56%
فی حصص آمدنی	13.36	50.52	-73.56%

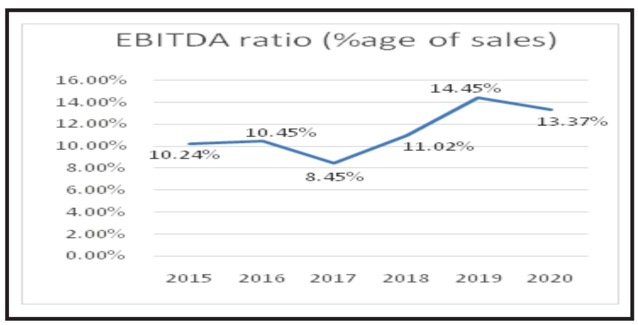
پچھلے سال کے مقابلے میں رواں سال کمپنی کی فروخت میں 1,925.07 ملین (5.30%) کمی دیکھی گئی۔ جسکی اصل وجہ برآمدت کی صورت میں فروخت میں کمی کے ساتھ ساتھ آخری سہ ماہی میں لاک ڈاؤن کی وجہ سے مقامی فروخت میں بھی کمی تھی۔ پچھلے سال کے مقابلے میں رواں سال فروخت پر لاگت میں 1,694.93 ملین (5.30%) کمی ہوئی جسکی بنیادی وجہ فروخت میں کمی تھی۔ کمپنی کے صافی منافع کا تناسب 11.92% رہا جو کہ پچھلے سال بھی 11.92% ہی تھا۔ کمپنی نے مبلغ 138.23 ملین روپے (حصص کے) منافع کی مد میں وصول کیے جو کہ پچھلے سال 120.95 ملین تھے۔ آمدنی قبل از ٹیکس، مارک اپ، شکستگی 4,599.92 ملین وصول ہوئی جو کہ پچھلے سال 5,249.97 ملین تھی۔ آمدنی قبل از ٹیکس، مارک اپ، شکستگی فی حصہ مبلغ 153.33 رہی (2019 میں مبلغ Rs.174.99 تھی) کمپنی کی مالیاتی لاگت میں 35.06 فیصد اضافہ ہوا ہے جس کی وجہ سے کمپنی کے لانگ ٹرم قرضہ جات کی شرح سود میں اضافہ ہے۔

گذشتہ سال کے مقابلہ میں رواں سال میں کمپنی کی فنانس لاگت میں 35.06% کا اضافہ ریکارڈ کیا گیا۔ اس اضافے کی سب سے بڑی وجہ KIBOR تھی جو گذشتہ سال کے مقابلے میں امسال زیادہ رہی اور کمپنی کے طویل مدتی قرضوں میں اضافہ ہوا۔



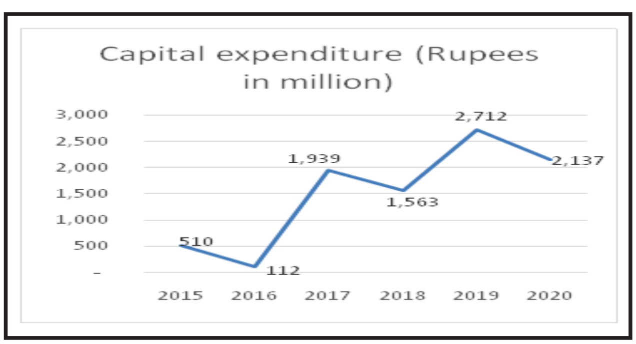


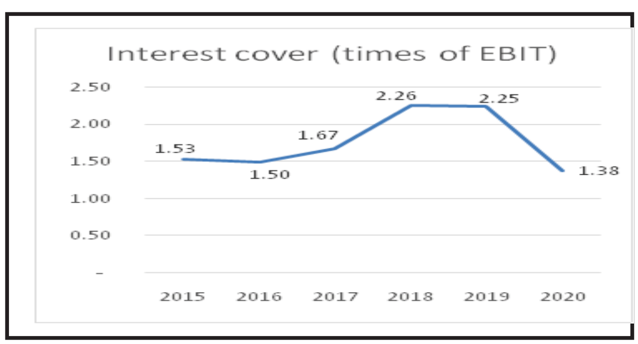




اخراجات بشکل سرمایہ

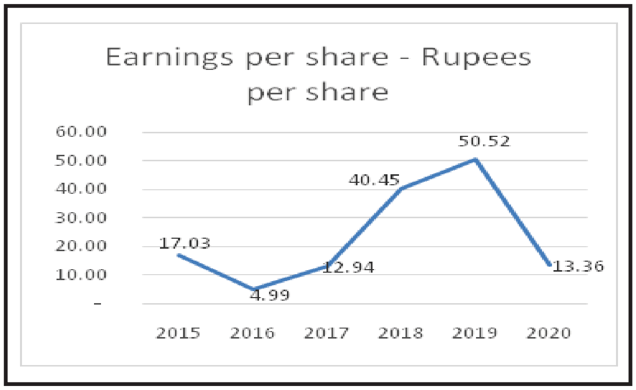
کمپنی نے سرمایہ کی حیثیت میں مبلغ 2,137.26 ملین خرچ کیے، جو کہ کمپنی کے پلانٹس میں جدت اور بڑھوتری لانے کے لیے تھے۔

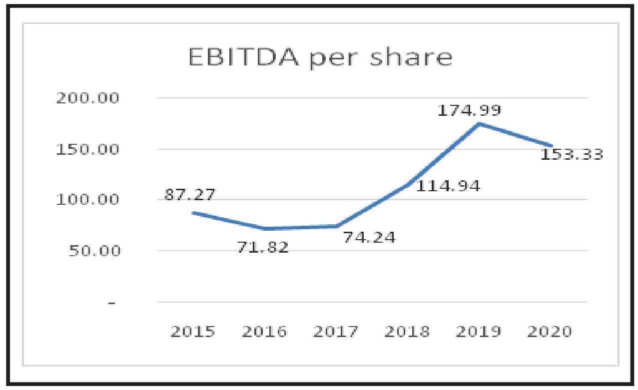




آمدنی فی حصص

کمپنی کی آمدنی میں فی حصص کمی **37.16** روپے ہوئی۔





مستقبل پر نظر

مستقبل کے بارے میں اگر چہ پر امید ہیں لیکن غیر یقینی صورتحال ٹیکسٹائل کے شعبہ کے لیے کلی طور پر اور کمپنی کے لیے خاص طور پر موجود ہے۔ صنعتی اور گھریلو دونوں طرف سے ٹیکسٹائل مصنوعات کی طلب میں تیزی ہے۔ اللہ کے فضل وکرم سے پاکستان نے کرونا کی وباء کا بغیر کسی بڑے جانی نقصان یا بیماری کے بڑے پھیلاؤ کے بغیر مقابلہ کیا ہے۔ جسکے نتیجے میں اندرونی معاشی حالت بڑی تیزی سے اسی نہج پر پہنچ گئی ہے جہاں اسے ہونا چاہیے تھا۔ حکومت پاکستان اور اسٹیٹ بینک آف پاکستان کی بروقت اور اچھی پالیسیوں کی بدولت مارکیٹ میں لیکویڈیٹی کو یقینی بنایا گیا۔ زرعی اشیاء کی زیادہ قیمتوں کی وجہ سے دیہی آمدن میں اضافہ ہوا جسکے نتیجے میں ٹیکسٹائل مصنوعات کی مانگ میں بھی اضافہ ہوا۔ تاجروں کے چین کے مقابلے میں ملکی اشیاء کو ترجیح دینے کی وجہ سے پاکستانی ٹیکسٹائل مصنوعات کی مانگ میں اضافہ ہوا جسکے نتیجے میں برآمدات میں بھی اضافہ ہوا۔ مقابلے کے ایکسچینج ریٹ، توانائی کی علاقائی تقابلی قیمتوں شرح سود میں کمی کی وجہ سے پاکستانی ٹیکسٹائل مصنوعات کی قیمتیں بین الاقوامی طور پر مقابلے کی رہیں۔ جسکے نتیجے میں آپ کی انتظامیہ اس سال بہتر کارکردگی اور زیادہ منافع کی امید رکھتی ہے۔

بدقسمتی سے، پاکستان میں کپاس کی فصل اس سال ناکام رہی۔ مارکیٹ کو کل پیداوار **7** ملین تک ہونے کی توقع ہے جبکہ کھپت **15** ملین سالانہ ہے۔ ایک زرعی ملک ہونے کے باوجود تحقیق کی کمی اور انتظامی مسائل کی وجہ سے سے اچھی کوالٹی کے بیج کی تیاری نہیں ہوسکی۔ جسکی وجہ سے کپاس کی فصل بد سے بدتر ہو چکی ہے۔ یہ وقت کی اہم ضرورت ہے کہ حکومت پاکستان اس صورتحال کا نوٹس لیتے ہوئے ایک حکمت عملی تیار کرے تاکہ پاکستان میں کپاس کی فصل کی پیداوار بڑھائی جاسکے۔ اچھی فصل کے بغیر ٹیکسٹائل انڈسٹری کی عملداری اور پاکستانی برآمدت کو ایک للکار کا سامنا رہے گا۔

کمپنی کے حصص کی منتقلی

آپ کے ڈائریکٹران وچیف ایگزیکٹو آفیسران وچیف فنانس افسران، کمپنی سیکرٹری وان کے شریک حیات ونابالغ بچگان کی جانب سے کمپنی کے حصص کی میں مندرجہ ذیل منتقلیاں کی گئیں۔

تفصیل	شیخ نسیم احمد و مسماۃ نشاط نسیم	عامر نسیم شیخ، مسز مہناز عامر شیخ و نابالغ بچگان	رحمٰن نسیم و نابالغ بچگان	فضل احمد شیخ و نابالغ بچگان	فہد مختار	فیصل احمد و نابالغ بچگان	مسعود کریم شیخ	بابر علی	پروین اختر ملک	کمپنی سیکریٹری	چیف فائننشل فیسر
کیفیت بتاریخ 01-07-2019	8,820	2,930,552	3,101,320	4,067,550	579,715	4,067,550	-	-	-	-	-
خریداری	-	-	-	-	-	-	1	1	1	1	1
بونس	-	-	-	-	-	-	-	-	-	-	-
وراثت	-	-	-	-	-	-	-	-	-	-	-
بطور تحفہ وصولی	-	-	-	-	-	-	-	-	-	-	-
بطور تحفہ منتقلی	-	-	-	-	-	-	-	-	-	-	-
فروخت	-	-	-	-	-	-	-	-	-	-	-
کیفیت بتاریخ 30-06-2020	**8,820**	**2,930,552**	**3,101,320**	**4,067,550**	**579,715**	**4,067,550**	**1**	**1**	**1**	**1**	**1**

بورڈ آف ڈائریکٹرز کا اجلاس

دوران سال **2019-2020** بورڈ کے پانچ اجلاس منعقد ہوئے جس میں حاضری درج ذیل رہی

نام	عہدہ	بورڈ میٹنگ	ایچ آر اور آر کمیٹی	آڈٹ کمیٹی
شیخ نسیم احمد	چیئرمین	05	-	04
رحمان نسیم	چیف ایگزیکٹو آفیسر	05	-	-
فضل احمد شیخ	ڈائریکٹر	03	-	-
فیصل احمد	ڈائریکٹر	04	03	-
فہد مختار	ڈائریکٹر	04	-	03
عامر نسیم شیخ	ڈائریکٹر	05	-	-
بابر علی	آزاد ڈائریکٹر	05	03	04
مسعود کریم شیخ	آزاد ڈائریکٹر	01	-	-
پروین اختر ملک	آزاد ڈائریکٹر	01	-	-

حفاظت ، صحت اور ماحول

کمپنی محفوظ اور چوٹ وغیرہ کے خطرات سے پاک ماحول مہیا کرنے کے لیے پرعزم ہے جہاں ہر ایک صحت منداور چاک و چوبند ہو اور معاشرے کی حفاظت کرے۔ ہر درجے پر حفاظت، صحت اور ماحول کمپنی کی ترجیحات میں سے ہے اور اس سال ہم نے اس پر خاص توجہ دی تاکہ حفاظت صحت اور ماحول سے متعلق ایک رویہ اپنایا جا سکے اور اس بارے آگہی فراہم کی گئی نیز حفاظت تدابیر سے متعلق آراء لی گئیں۔ کمپنی فضلہ سے پاک پانی کی ٹیسٹنگ کرتی ہے اور شور کی آلودگی سے ماحول کو پاک رکھنے کے لئے کوشاں ہے۔ کمپنی اپنے ہیڈ آفس اور فیکٹری پر شجرکاری کرتی ہے۔

خطرات پر نظر

کمپنی کو چلانے ، امور کی تکمیل و مالیات سے متعلق خطرات کا سامنا رہتا ہے جو کہ خطرات کے پیش نظر انتظامات وقواعد وضوابط طے کر کے اور اندرونی اختیارات کے ذریعے کم کیے جا سکتے ہیں ۔ جسکے ذریعے ان خطرات سے نبرد آزما ہوا جا سکتا ہے جس سے کمپنی کے کاروبار کو متاثر ہونے کا خطرہ لاحق ہو۔ کمپنی کا انٹرنل آڈٹ کا محکمہ ڈائیریکٹرز کو خطرات سے نبرد آزما ہونے کے موثر ہونے پے اپنی رپورٹ پیش کرات رہتا ہے۔

آپریشنل خطرات

آپریشنل خطرات کمپنی کے معاملات ، سٹاف ، ٹیکنالوجی ، انفراسٹرکچر ، اور قوانین میں تبدیلی سے پیدا ہوتے ہیں ۔ کمپنی نے ان خطرات کا سامنا اور ان سے نمٹنے کیلئے مختلف معاملات میں اصول واضع کئے ہوئے ہیں ۔

کریڈٹ خطرات

یہ خطرہ لاحق ہوتا ہے کہ جب کمپنی سے خرید کرنے والی پارٹی نادہندہ ہو جائے ۔ ان خطرات کو کم کرنے کیلئے کمپنی گاہکوں کو قرضہ پر فروخت کا جائزہ لیتی رہتی ہے اور ادھار فروختگی کا جائزہ لیتی رہتی ہے۔

لیکوڈیٹی رسک

یہ خطرہ پیدا ہوتا ہے جب کمپنی کو کیش کی فراہمی کم ہو جائے اور کمپنی اپنے ذمہ واجبات ادا نہ کر سکے اس خطرے سے نمٹنے کیلئے کمپنی ہمیشہ وافر کیش کی فراہمی کو یقینی بناتی ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی کارپوریٹ سماجی ذمہ داری کو بنیادی ذمہ داری سمجھتی ہے اور ایک اچھی کارپوریٹ شہریت کی حامل ہونے کی خواہاں ہے۔ کمپنی معاشرے کو بہتر صحت اور تعلیمی سہولیات فراہم کر کے اپنا کردار ادا کر رہی ہے۔ کارپوریٹ سماجی ذمہ دار ہونے کے طور پر کمپنی نے اس سال ورکر کی صحت کو سب سے اہم جانا ہے۔ کرونا کے پیش نظر کمپنی نے ایک جماعت تشکیل دی ہے جس نے حکومت کے احکامات کو لاگو کیا۔ جماعت نے حفاظتی تدابیر سے متعلق آگاہی مہم چلائی۔ کمپنی میڈیکل کیمپس منعقد کرتی ہے اور وائیرل بیماریوں سے بچاؤ کے لیے سپرے کو یقینی بناتی ہے۔

خاطر خواہ تبدیلیاں

سال برائے اختتام 30 جون 2020 سے اس رپورٹ کی تاریخ تک کو خاطر خواہ تبدیلیاں نہیں ہوئیں۔

مطعلقہ پارٹیز کے ساتھ لین دین

مالیسال برائے اختتام 30 جون 2020 میں مطعلقہ پارٹیز کے ساتھ لین دین معمول کے مطابق کاروباری ریٹ پر تھا۔

کارپوریٹ گورننس

ڈائریکٹرز گورننس کو بہترین بنانے کے لیے پرعزم ہیں اور لسٹ کمپنیز (ضابطے برائے کارپوریٹ گورننس) قواعد 2019 کی ضروریات ورول بک آف پاکستان سٹاک ایکسچینج سے ہم آہنگ ہیں۔ ضوابط برائے کارپوریٹ گورننس سے متعلق موادلف ہذا ہے۔

-1 بورڈ آف ڈائریکٹرز کے الیکشن میعاد ختم ہونے کے بعد 30 مئی 2020 کو منعقد ہوئے۔ جن میں سے تین آزاد ڈائریکٹرز منتخب ہوئے۔

ڈائریکٹرز کی کل تعداد 9 ہے

الف مرد آٹھ

ب خواتین ایک

-2 بورڈ کی تشکیل ذیل طریق پر ہے

قسم	نام
آزاد ڈائریکٹر	1 جناب بابر علی 2 جناب مسعود کریم شیخ 3 محترمہ پروین اختر ملک
نان ایگزیکٹو ڈائریکٹر	4 جناب شیخ نسیم احمد 5 جناب فیصل احمد 6 جناب فہد مختار
ایگزیکٹو ڈائریکٹرز	7 جناب رحمٰن نسیم 8 جناب عامر نسیم 9 جناب محمد مختار شیخ

فضل احمد شیخ نے نئی مدت کے لئے رضامندی ظاہر نہیں کی۔

-3 بورڈ نے ذیل ممبران پر مشتمل کمیٹیاں تشکیل دی ہیں۔

کمیٹی کا نام	ممبر اور چیئرمین کا نام
آڈٹ کمیٹی	1 جناب بابر علی (آزاد ڈائریکٹر) چیئرمین 2 جناب شیخ نسیم احمد ۔ ممبر 3 جناب فہد مختار ۔ ممبر
ہیومن ریسورس اینڈ ریمونریشن کمیٹی	1 جناب بابر علی (آزاد ڈائریکٹر) چیئرمین 2 جناب فہد مختار ۔ ممبر 3 جناب فیصل احمد ۔ ممبر

-4 نان ایگزیکٹو اور آزاد ڈائریکٹرز صرف کمپنی کے اجلاس میں شرکت کرنے پر فیس وصول کرنے کے حقدار ہیں۔ کمپنی اجلاسوں میں شرکت سے متعلق ڈائیریکٹرز کے سارے اخراجات اٹھانے کی پابند ہے۔ ایگزیکٹو ڈائیریکٹرز کی اجرت بورڈ طے کرے گا۔ ڈائیریکٹرز کی اجرت مالی سال 2019-2020 کے لئے حسابات میں ظاہر کی گئی ہے۔

ڈائریکٹرز کا بیان

کارپوریٹ و مالیاتی رپورٹ ہائے پر ڈائریکٹرز کی بیان ذیل ہیں۔

☆ مالیاتی رپورٹ برائے سال اختتام پذیر مورخہ 30 جون 2020 میں معاملات کی نوعیت ان کے نتائج، کیش کا بہاؤ، حصص کی معلومات کو مناسب انداز میں بیان کیا گیا ہے۔

☆ حساب کتاب کے لیے درست انداز میں اکاؤنٹ بکس کو ترتیب دیا گیا ہے۔

☆ کمپنی نے مالیاتی گوشوارے برائے سال اختتام پذیر 30 جون 2020 کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

☆ مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیار کی جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

☆ اندرونی کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں نافذ کیا گیا ہے جسکی نگرانی بھی کی جاتی ہے۔

☆ کمپنی کا کاروبار رواں دواں رکھنے کی صلاحیت شکوک و شبہات سے بالاتر ہے۔

☆ لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی کمی بیشی نہیں کی گئی۔

حصص کا طریقہ کار

حصص سے متعلق طریق کار جیسا کہ 30 جون 2020 تک ہے۔(لف ہے)

حصص کے منافع کا اعلان

مالی سال اختتام برائے جون 30، 2020 کیلئے آپ کے ڈائریکٹرز حصص کا منافع کا اعلان نہیں کرتے ہیں۔ (2019: 10.50 فی حصہ منافع تھا)
کیونکہ کمپنی نے اس سال بینکوں سے کرونا کے پیش نظر قرضہ لیا ہے اور اسکی شرائط میں حصص پر منافع نہ دینا ہے۔

ذیلی کمپنی

کمپنی نے اپنے علیحدہ مالیاتی گوشوارہ کے ساتھ مستحکم مالیاتی گوشوارہ بھی لف کر دیا ہے جو کہ بین الاقوامی مالیاتی رپورٹ کے معیاروں اور کمپنیز ایکٹ 2017 سے ہم آہنگ ہے۔

ذیل میں فضل کلاتھ ملز کی مختصر تفصیل درج کی جاتی ہے۔

کمپنی اپنی ذیلی کمپنی فضل ویونگ ملز لمیٹڈ کے 100% شیئرز کی حامل ہے۔ FWML سال 1989 میں بطور پبلک لمیٹڈ کمپنی بروئے کمپنیز آرڈیننس 1984 قائم ہوئی اور کمرشل پیداوار کا آغاز یکم اپریل 2014 سے شروع کیا۔ کمپنی کا رجسٹرڈ آفس کا پتہ 69/7 عابد مجید روڈ سروے نمبر 248/7 لاہور کینٹ، لاہور ہے۔ کمپنی کا کاروبار سوت کی پیداوار اور فروخت سے متعلق ہے۔ کمپنی کا پیداواری یونٹ موضع خیر آباد قادر پور راں بائی پاس خانیوال روڈ ملتان ضلع پنجاب میں واقع ہے

آڈیٹرز

میسرز KPMG تاثیر ہادی اینڈ کو، سے ریٹائرڈ شدہ چارٹرڈ اکاؤنٹنٹس نے خود کو اہل گردانتے ہوئے اپنی تعیناتی برائے سال 2020-2021 پیشکش کی ہے۔

انتظامیہ / تعلقات ہمراہ لیبر

رواں سال انتظامیہ اور لیبر کے مابین تعلقات پر جوش اور خوشگوار رہے۔ ہم اپنے ملازمین کو خاص اہمیت دیتے ہیں۔ ہم اپنے انسانی وسائل کی فنی ترقی اور مہارت میں بہتری لانے کے لیے سرمایہ کاری جاری رکھتے ہیں۔ ہم یہ سمجھتے ہیں کہ اپنے لوگوں پر سرمایہ کاری مستقبل پر سرمایہ کاری کرنے کے مترادف ہے۔ کمپنی کی انسانی وسائل سے متعلق حکمت عملی مساوات کی اقدار پر منحصر ہے جس میں قابلیت، مساوی مواقع اور سماجی ذمہ داریاں شامل ہیں۔ اپنی انسانی وسائل کی حکمت عملی کو مدنظر رکھتے ہوئے ہم چائلڈ لیبر نہیں لیتے۔ ملازمین اور کمپنی انتظامیہ باہمی طور پر اعلیٰ معیاری پیداوار کے لیے محنت کرتے ہیں۔ انتظامیہ اور لیبر کا رشتہ مکمل ہم آہنگی سے چلتا ہے۔ بورڈ اس ضمن میں آن ریکارڈ ان لوگوں کی محنت کس سراہتا ہے جن کی وجہ سے ایسے نتائج میسر آئے۔

بتاریخ 29 اکتوبر 2020

بورڈ کی طرف سے

عامر نسیم شیخ
ڈائریکٹر

رحمان نسیم
چیف ایگزیکٹو آفیسر

FINANCIAL HIGHLIGHTS

		2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees
Summarized Statement of Financial Position							
Non-Current Assets							
Property, Plant and Equipment		25,112,809,713	24,000,031,655	22,331,867,219	17,964,030,369	16,789,493,325	17,465,989,537
Long Term Investments and Advances		6,784,361,984	6,025,361,229	5,378,960,445	4,695,944,439	4,384,006,152	4,187,165,531
Long Term Deposits		24,128,493	24,071,493	24,071,493	24,446,493	24,446,493	22,807,493
		31,921,300,190	**30,049,464,377**	**27,734,899,157**	**22,684,421,301**	**21,197,945,970**	**21,675,962,561**
Current Assets							
Stores, Spares and Loose Tools		644,609,994	665,347,135	499,684,798	585,091,281	424,638,107	391,331,937
Stock in Trade		11,843,911,463	10,942,040,120	8,124,450,558	6,420,465,744	5,112,752,436	4,446,033,548
Loans and Advances		1,176,505,729	567,894,315	142,136,368	750,169,337	1,433,588,257	891,883,769
Short Term Investments		163,587,600	182,682,000	198,288,000	219,658,800	221,288,800	545,590,770
Trade Debts		4,827,172,241	5,432,387,658	4,842,378,886	4,243,040,569	1,901,378,277	3,805,423,237
Other Current Assets		1,087,761,185	1,836,513,993	1,650,417,562	1,297,687,406	730,528,301	948,977,363
		19,743,548,212	**19,626,865,221**	**15,457,356,172**	**13,516,113,137**	**9,824,174,178**	**11,029,240,624**
Total Assets		**51,664,848,402**	**49,676,329,598**	**43,192,255,329**	**36,200,534,438**	**31,022,120,148**	**32,705,203,185**
No.Ordinary of shares		30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Shareholders' Equity		20,842,155,710	20,930,097,336	20,015,477,003	15,509,222,486	15,216,667,759	15,518,218,329
Non-Current liabilities							
Long Term Financing		13,458,597,124	9,669,950,035	8,103,298,037	6,947,448,886	5,657,497,908	5,744,364,925
Deferred Tax		3,106,579,895	3,022,411,367	2,267,972,077	2,175,617,785	2,069,560,362	1,950,326,682
Other Non-Current Liabilities		356,784,780	255,329,914	252,712,792	204,404,551	209,641,455	212,473,755
		16,921,961,799	**12,947,691,316**	**10,623,982,906**	**9,327,471,222**	**7,936,699,725**	**7,907,165,362**
Current Liabilities							
Short Term Borrowings		9,224,750,985	9,910,552,807	7,953,052,718	7,516,146,659	3,885,590,245	5,741,657,906
Current Portion of Long Term Liabilities		888,634,241	2,142,163,428	1,828,059,070	1,749,460,234	1,791,723,641	1,426,336,191
Trade payable and Bills payable		1,048,066,499	1,390,260,890	594,624,853	300,113,258	309,275,748	198,642,450
Other Current Liabilities		2,739,279,168	2,355,563,821	2,177,058,779	1,798,120,579	1,882,163,030	1,913,182,947
		13,900,730,893	**15,798,540,946**	**12,552,795,420**	**11,363,840,730**	**7,868,752,664**	**9,279,819,494**
Total Equity and liabilities		**51,664,848,402**	**49,676,329,598**	**43,192,255,329**	**36,200,534,438**	**31,022,120,148**	**32,705,203,185**
Statement of Profit or Loss							
Sales		34,416,031,375	36,341,096,535	31,288,368,918	26,554,951,059	20,615,979,078	25,568,443,177
Cost of Sales		30,314,620,441	31,998,617,257	28,552,922,105	24,772,648,614	18,861,646,409	23,009,982,011
Gross Profit		4,101,410,934	4,342,479,278	2,735,446,813	1,782,302,445	1,754,332,669	2,558,461,166
EBITDA		4,599,945,871	5,249,974,632	3,448,334,951	2,227,290,175	2,154,725,330	2,617,041,608
Deprecition		1,078,897,307	991,566,002	863,183,447	757,092,607	781,368,932	667,579,505
EBIT		3,521,048,564	4,258,408,630	2,585,151,504	1,470,197,568	1,373,356,398	1,949,462,103
Other Income		547,320,365	686,282,875	542,254,122	416,675,272	326,753,654	165,550,315
Finance cost		2,558,313,125	1,894,233,560	1,143,949,532	878,789,523	917,294,238	1,274,737,143
Profit Before Tax		962,735,439	2,364,175,070	1,441,201,972	591,408,045	456,062,160	674,724,960
Profit After Tax		400,717,725	1,515,502,761	1,213,505,070	388,286,516	149,564,210	510,512,851
Ratios							
Profitability Ratios							
Gross Profit	%	11.92%	11.95%	8.74%	6.71%	8.51%	10.01%
EBITDA to Sales	%	13.37%	14.45%	11.02%	8.39%	10.45%	10.24%
EBIT to Sales	%	10.23%	11.72%	8.26%	5.54%	6.66%	7.62%
Pre tax Profit	%	2.80%	6.51%	4.61%	2.23%	2.21%	2.64%
Post tax Profit	%	1.16%	4.17%	3.88%	1.46%	0.73%	2.00%
Return on Equity	%	1.92%	7.24%	6.06%	2.50%	0.98%	3.29%
Return on Asset	%	0.78%	3.05%	2.81%	1.07%	0.48%	1.56%
Return on Capital Employed	%	9.32%	12.57%	8.44%	5.92%	5.93%	8.32%
Liquidity Ratios							
Current Ratio	Times	1.42	1.24	1.23	1.19	1.25	1.19
Quick Ratio	Times	0.57	0.55	0.58	0.62	0.60	0.71

Activity /Turnover Ratios		2020	2019	2018	2017	2016	2015
Inventory Turnover Ratio	Times	2.66	3.36	3.93	4.30	3.95	4.69
No.of Days in Inventory	Days	137.18	108.74	92.97	84.97	92.49	77.80
Debtors Turnover Ratio	Times	6.71	7.07	6.89	8.64	7.23	7.64
No. of Days in Receivables	Days	54.40	51.60	52.99	42.23	50.52	47.75
Creditors Turnover Ratio	Times	19.54	28.06	53.83	68.13	56.89	100.31
No. of Days in Creditors	Days	18.68	13.01	6.78	5.36	6.42	3.64
Operating Cycle	Days	172.90	147.34	139.18	121.84	136.59	121.91
Total Assets Turnover Ratio	Times	0.67	0.73	0.72	0.73	0.66	0.78
Fixed Assets Turnover Ratio	Times	1.08	1.21	1.13	1.17	0.97	1.18
Investment /Market Ratios							
Earning Per Share	Rs.	13.36	50.52	40.45	12.94	4.99	17.02
Price Earning Ratio	Times	10.46	2.77	3.70	13.83	28.48	8.40
Dividend Yield Ratio	%	-	7.50%	5.68%	2.93%	1.76%	3.50%
Dividend Payout Ratio	%	-	20.79%	21.01%	40.56%	50.15%	29.38%
Dividend Cover Ratio	Times	-	4.81	4.76	2.47	1.99	3.40
Dividend Per Share	Rs.	-	10.50	8.50	5.25	2.50	5.00
Break-up Value	Rs.	694.74	697.67	667.18	516.97	507.22	517.27
Proposed Dividend	Rs.	-	315,000,000	255,000,000	157,500,000	75,000,000	150,000,000
Market value per share at year end	Rs.	139.75	140.00	149.69	178.99	142.00	143.01
Capital Structures Ratios							
Debt to Equity Ratio	Times	1.13	1.04	0.89	1.05	0.74	0.83
Interest Cover Ratio	Times	1.43	2.36	2.45	1.82	1.64	1.63
Gearing Ratio	%	53%	51%	47%	51%	43%	45%
Production machines							
No. of Spindles		212,964	198,804	197,556	192,696	190,392	190,392
No. of Roters		4,548	4,572	3,132	2,604	2,220	2,220
No.of Looms		224	224	224	224	224	224

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company : FAZAL CLOTH MILLS LIMITED

Year Ended : JUNE 30, 2020

The Company has complied with the requirements of the regulations in the following manner:

1. The total number of directors is Nine as per the following:
   a. Male: Eight
   b. Female: One
2. The composition of board is as follows:

CATEGORY	NAMES
Independent Director	1. Mr. Babar Ali 2. Mr. Masood Karim Shaikh 3. Ms. Parveen Akhtar Malik
Non-Executive Directors	4. Mr. Sh. Naseem Ahmad 5. Mr. Faisal Ahmed 6. Mr. Fahd Mukhtar
Executive Directors	7. Mr. Rehman Naseem 8. Mr. Muhammad Mukhtar Sheikh 9. Mr. Amir Naseem Sheikh

2. Upon maturity of the Board of Directors' current term, the election of directors has been held on 30 May 2020, wherebythree independent directors, one of which is female, are elected to comply with the provisions of Listed Companies (Code of Corporate Governance) Regulations 2019.

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

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

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

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

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

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

9. Six directors of the Company have completed formal Directors Training Program (DTP) whereas one director fall under exemption from the mandatory requirement for acquiring DTP certification. For the remaining two

directors training has been scheduled and convened in due course of time.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However no new appointment was made during the year.

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

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

Name of Committee	Name of Members and Chairman
Audit Committee	1. Mr. Babar Ali (Independent Director) Chairman Mr. Sh Naseem Ahmed – Member 3. Mr. Fahd Mukhtar– Member
Human Resource and Remuneration Committee	1. Mr. Babar Ali (Independent Director) Chairman 2. Mr. Fahd Mukhtar – Member 3. Mr. Faisal Ahmed – Member

The Board has not formed the 'Nomination Committee' and 'Risk Management Committee' as responsibilities of these committees are being taken care of at the Board level as and when required. Therefore, a need for the separate formation of these committees does not exist.

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

2. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:

   Number of the audit committee meetings held during the year was Four.The detail of audit committee Meetings is as follows:

Name of Committee Member	Designation	Number of meetings held	Meeting Attended
Mr. Babar Ali	Independent Director / Chairman Audit Committee	4	4
Mr. Sh eikh Naseem Ahmed	Member	4	4
Mr. Fahd Mukhtar	Member	4	3

Number of human resource and remuneration committee meeting held during the year was three. The details of human resource and remuneration committee meeting are as follows:

Name of Committee Member	Designation	Number of meetings held	Meeting Attended
Mr. Babar Ali	Chairman	3	3
Mr. Aamir Naseem Sheikh	Member	3	3
Mr. Faisal Ahmad	Member	3	3

15. The Board has set up an effective internal audit function which is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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

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

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

On behalf of the Board of Directors

SH. NASEEM AHMAD
CHAIRMAN

Multan:October 29, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fazal Cloth 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 Fazal Cloth Mills Limited ("the Company") for the year ended 30 June 2020 to comply 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

KPMG Taseer Hadi & Co.

Lahore | **KPMG Taseer Hadi & Co.**

Date: 02 November 2020 | **Chartered Accountants**

Fazal Cloth Mills Limited
Unconsolidated Financial Statements
for the year ended 30 June 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Fazal Cloth Mills Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 30 June 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>01</td><td>Revenue

Refer to notes 4.16 and 29 to the unconsolidated financial statements.

The Company recognized revenue of Rs. 34,416.03 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2020.

We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to a risk that revenue is recognized without transferring the control.</td><td>Our audit procedures to assess recognition of revenue, amongst others, included the following:

• obtaining an understanding of the process relating to recording of revenue and testing the design, implementation and operating effectiveness of key internal controls;

• assessing the appropriateness of the Company's accounting policies for recording of revenue and compliance of those policies with applicable accounting standards;

• comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;

• comparing a sample of revenue transactions recorded around the year with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;

• comparing, on a sample basis, specific revenue transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and

• scanning for any manual journal entries relating to sales raised during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.</td></tr>
<tr><td>02</td><td>Capitalization of property, plant and equipment

Refer notes 4.2 and 17 to the unconsolidated financial statements.

The Company has made significant capital expenditure on expansion of manufacturing facilities.

We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</td><td>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:

• understanding the design and implementation of management controls over capitalization and testing control over authorization of capital expenditure and accuracy of its recording in the system;

• testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;

• assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and

• inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced, and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.</td></tr>
</table>

Sr. No.	Key audit matters	How the matter was addressed in our audit
03	**Impairment testing of investment in associate** Refer note 4.13, 4.12.4 and 18 to the unconsolidated financial statements. Long term investments in associates includes investment of Rs. 1,498.20 million in Fatima Energy Limited, an unquoted associated undertaking. As at 30 June 2020, management conducted an impairment test to assess the recoverability of the carrying value of investment in the associate. The management has determined recoverable amount of investment based on higher of 'fair value less costs of disposal' and 'value in use'. The 'fair value less costs of disposal' has been determined by the management based on valuation report prepared by an external expert. Value in use has been determined by the management using income approach. Since the recoverable amount of the investment worked out in both instances is higher than its carrying value, therefore, no impairment loss has been recognized. We identified assessing the carrying value of investment in associate as a key audit matter because significant degree of management judgment involved in assessing its recoverable amount.	Our audit procedures, amongst others, included the following: • assessing the appropriateness of the methodology applied by the management for impairment testing of investment in associate with applicable accounting and reporting standards; • involving our internal valuation specialist to assist us in assessing the significant assumptions and judgments applied by management in its business plan, including discount rate, projected growth rates, future revenue and costs and production volumes, with reference to available market information; • performing independently, a sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in key assumptions; • obtaining an understanding of the work performed by the management's expert for determining the fair value less cost of disposal; • evaluating the valuer's competence, capability and objectivity and assessing the appropriateness of methodology adopted by the professional valuer engaged by the management; and • involving our own expert having required professional qualification, independence, competence and experience to assess the working of management's expert.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

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

KPMG Taseer Hadi & Co.

Lahore

Date: 02 November 2020

KPMG Taseer Hadi & Co
Chartered Accountant

Unconsolidated Statement of Financial Position

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital		**700,000,000**	700,000,000
Issued, subscribed and paid-up capital	5	**300,000,000**	300,000,000
Capital reserves			
- Others capital reserves	6	**1,179,978,846**	1,373,543,815
- Revaluation surplus on property, plant and equipment	7	**8,748,727,025**	9,038,995,462
Unappropriated profits - revenue reserve		**10,613,449,839**	10,217,558,059
		20,842,155,710	20,930,097,336
Non-current liabilities			
Long term financing - *secured*	8	**10,835,680,457**	7,984,533,368
Long term musharika - *secured*	9	**2,622,916,667**	1,685,416,667
Lease liability - *unsecured*	10	**71,173,118**	-
Deferred liabilities:			
- *Staff retirement benefit*	11	**268,630,086**	255,329,914
- *Deferred taxation*	11	**3,106,579,895**	3,022,411,367
- *Deferred grant*	8	**16,981,576**	-
		16,921,961,799	12,947,691,316
Current liabilities			
Current portion of non-current liabilities	12	**888,634,241**	2,142,163,428
Trade and other payables	13	**3,321,848,058**	3,326,593,203
Unclaimed dividend		**13,748,423**	12,340,081
Short term borrowings - *secured*	14	**9,224,750,985**	9,910,552,807
Accrued mark-up	15	**451,749,186**	406,891,427
		13,900,730,893	15,798,540,946
Contingencies and commitments	16		
		51,664,848,402	49,676,329,598

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

As at 30 June 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**25,112,809,713**	24,000,031,655
Long term investments	*18*	**3,520,660,277**	3,590,236,962
Long term loan and advances	*19*	**3,263,701,707**	2,435,124,267
Long term deposits		**24,128,493**	24,071,493
		31,921,300,190	30,049,464,377
Current assets			
Stores, spares and loose tools	*20*	**644,609,994**	665,347,135
Stock-in-trade	*21*	**11,843,911,463**	10,942,040,120
Trade debts	*22*	**4,827,172,241**	5,432,387,658
Loans and advances	*23*	**1,176,505,729**	567,894,315
Deposits, prepayments and other receivables	*24*	**445,172,969**	352,249,486
Mark-up accrued	*25*	**133,343,071**	293,102,880
Short term investment	*26*	**163,587,600**	182,682,000
Tax refunds due from the Government - net	*27*	**259,643,956**	1,030,595,127
Cash and bank balances	*28*	**249,601,189**	160,566,500
		19,743,548,212	19,626,865,221
		51,664,848,402	49,676,329,598

(SHEIKH NASEEM AHMAD)
DIRECTOR

Unconsolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Revenue - *net*	29	**34,416,031,375**	36,341,096,535
Cost of sales	30	**(30,314,620,441)**	(32,009,553,052)
Gross profit		**4,101,410,934**	4,331,543,483
Selling and distribution expenses	31	**(324,516,706)**	(223,255,005)
Administrative expenses	32	**(306,525,674)**	(307,140,814)
Other expenses	33	**(496,640,355)**	(229,021,909)
		(1,127,682,735)	(759,417,728)
Other income	34	**547,320,365**	686,282,875
Profit from operations		**3,521,048,564**	4,258,408,630
Finance cost	35	**(2,558,313,125)**	(1,894,233,560)
Profit before taxation		**962,735,439**	2,364,175,070
Taxation	36	**(562,017,714)**	(848,672,309)
Profit after taxation		**400,717,725**	1,515,502,761
Earnings per share - *basic and diluted*	37	**13.36**	50.52

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

(MUHAMMAD AZAM)	(REHMAN NASEEM)	(SHEIKH NASEEM AHMAD)
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE OFFICER	DIRECTOR

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 Rupees	2019 Rupees
Profit after taxation	**400,717,725**	1,515,502,761
Other comprehensive income/ (loss) - net of tax		
Items that will never be reclassified to statement of profit or loss:		
Re-measurement of defined benefit liability	**25,884,353**	26,164,992
Net change in fair value of financial assets at FVOCI	**(193,564,969)**	(151,897,132)
Total comprehensive income for the year	**233,037,109**	1,389,770,621

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

(MUHAMMAD AZAM) CHIEF FINANCIAL OFFICER	(REHMAN NASEEM) CHIEF EXECUTIVE OFFICER	(SHEIKH NASEEM AHMAD) DIRECTOR

Unconsolidated Statement of Changes in Equity

For the year ended 30 June 2020

		Capital reserves				Revenue reserve	
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	Total
	----------	----------	----------	Rupees	----------	----------	----------
Balance as at 30 June 2018	300,000,000	77,616,000	175,000,000	1,272,824,947	9,574,659,705	8,615,376,351	20,015,477,003
Total comprehensive income for the year :							
Profit for the year ended 30 June 2019	-	-	-	-	-	1,515,502,761	1,515,502,761
Other comprehensive (loss)/ income for the year	-	-	-	(151,897,132)	-	26,164,992	(125,732,140)
	-	-	-	(151,897,132)	-	1,541,667,753	1,389,770,621
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	(297,312,975)	297,312,975	-
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	(18,200,980)	18,200,980	-
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	(220,150,288)	-	(220,150,288)
Transactions with the owners of the Company :							
Final cash dividend @ Rs. 8.50 per ordinary share for the year ended 30 June 2018	-	-	-	-	-	(255,000,000)	(255,000,000)
Balance as at 30 June 2019 - brought forward	**300,000,000**	**77,616,000**	**175,000,000**	**1,120,927,815**	**9,038,995,462**	**10,217,558,059**	**20,930,097,336**

	Share capital	Capital reserves				Revenue reserve	Total
		Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
	Rupees						
Balance as at 30 June 2019 - carried forward	**300,000,000**	**77,616,000**	**175,000,000**	**1,120,927,815**	**9,038,995,462**	**10,217,558,059**	**20,930,097,336**
Total comprehensive income for the year :							
Profit for the year ended 30 June 2020	-	-	-	-	-	400,717,725	**400,717,725**
Other comprehensive (loss)/ income for the year	-	-	-	(193,564,969)	-	25,884,353	**(167,680,616)**
	-	-	-	(193,564,969)	-	426,602,078	**233,037,109**
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax*	-	-	-	-	(278,961,965)	278,961,965	**-**
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	(5,327,737)	5,327,737	**-**
Effect on deferred tax due to change in proration rate	-	-	-	-	(5,978,735)	-	**(5,978,735)**
Transactions with the owners of the Company :							
Final cash dividend @ Rs. 10.5 per ordinary share for the year ended 30 June 2019	-	-	-	-	-	(315,000,000)	**(315,000,000)**
Balance as at 30 June 2020	**300,000,000**	**77,616,000**	**175,000,000**	**927,362,846**	**8,748,727,025**	**10,613,449,839**	**20,842,155,710**

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

(MUHAMMAD AZAM)	**(REHMAN NASEEM)**	**(SHEIKH NASEEM AHMAD)**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR**

Unconsolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees
Cash flows from operating activities			
Profit before taxation		**962,735,439**	2,364,175,070
Adjustments for:			
Depreciation on property, plant and equipment	*17.1.1*	**1,078,897,307**	991,566,002
Unrealized loss on re-measurement of short term investment	*33*	**19,094,400**	15,606,000
Allowance for impairment of trade debts	*33*	**11,015,352**	18,511,484
Sales tax receivable written off		**-**	7,742,484
Provision for gratuity	*11.1.3*	**126,041,218**	124,917,855
Provision for infrastructure cess		**90,150,706**	84,412,919
Provision for workers' profit participation fund	*13.3*	**51,639,012**	118,818,402
Provision for workers' welfare fund	*13.4*	**12,365,783**	21,766,333
Loss on disposal of property, plant and equipment	*33*	**10,865,594**	34,486,940
Dividend income	*34*	**(138,228,062)**	(120,949,554)
Finance income	*34*	**(392,903,957)**	(236,549,526)
Finance cost	*35*	**2,558,313,125**	1,894,233,560
Cash generated from operations before working capital changes		**4,389,985,917**	5,318,737,969
Effect on cash flows due to working capital changes			
(Increase)/ decrease in current assets:			
Stores, spares and loose tools		**20,737,141**	(165,662,337)
Stock-in-trade		**(901,871,343)**	(2,817,589,562)
Trade debts		**594,200,065**	(617,376,723)
Loans and advances		**(608,611,414)**	(425,757,947)
Deposits, prepayments and other receivables		**45,304,579**	186,157,910
		(850,240,972)	(3,840,228,659)
(Decrease)/ increase in current liabilities:			
Trade and other payables		**(158,900,646)**	613,977,086
Cash generated from operations		**3,380,844,299**	2,092,486,396
Gratuity paid	*11.1.2*	**(86,856,693)**	(96,135,741)
Taxes refund/ (paid) - net		**287,123,250**	(439,447,872)
		200,266,557	(535,583,613)
Net cash generated from operating activities		**3,581,110,856**	1,556,902,783
Cash flows from investing activities			
Fixed capital expenditure		**(2,137,258,792)**	(2,712,083,509)
Proceeds from sale of equity instruments of associate		**291,213,490**	-
Proceeds from sale of property, plant and equipment		**3,640,800**	17,866,130
Long term loan and advances		**(691,115,448)**	(798,297,916)
Finance income received		**-**	83,082,655
Long term deposits		**(57,000)**	-
Dividend received from associated company		**-**	120,949,554
Net cash used in investing activities		**(2,533,576,950)**	(3,288,483,086)
Cash flows from financing activities			
Long term financing obtained		**3,006,825,712**	2,608,778,944
Long term financing repaid		**(1,186,139,567)**	(1,510,522,588)
Long term musharika obtained		**1,000,000,000**	1,100,000,000
Long term musharika repaid		**(268,586,667)**	(317,500,000)
Short term borrowings - *net*		**(685,801,822)**	1,957,500,089
Lease rentals paid		**(7,986,000)**	-
Finance cost paid - net		**(2,503,219,215)**	(1,762,435,357)
Dividend paid		**(313,591,658)**	(251,631,864)
Net cash (used in)/ generated from financing activities		**(958,499,217)**	1,824,189,224
Net increase in cash and cash equivalents		**89,034,689**	92,608,921
Cash and cash equivalents at beginning of the year		**160,566,500**	67,957,579
Cash and cash equivalents at end of the year	28	**249,601,189**	160,566,500

The annexed notes from 1 to 49 form an integral part of these unconsolidated financial statements.

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(SHEIKH NASEEM AHMAD)
DIRECTOR

Notes to the Unconsolidated Financial Statements
For the year ended 30 June 2020

1 Corporate and general information

1.1 Reporting entity

Fazal Cloth Mills Limited ('the Company') was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.2 Impact of COVID-19 on the financial statements

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. As per relaxation given by the authorities to export oriented entities, the Company resumed its operations on 10 April 2020 with all precautionary measures to prevent the pandemic spread. There is no material financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses except for decrease in sales volume in the month of April and May 2020.

However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Company has availed deferments of principal repayments of certain long term loans and availed financing facility for payment of salaries and loans as explained in note 8.3 and 8.4 to these unconsolidated financial statements.

Based on management's assessment, considering demand from its customers, availability of raw material and measures taken by Government to support the industry, COVID-19 does not have a significant impact on the Company.

2 Basis of preparation

2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared and presented separately.

The Company has following major investments:

Name of the company	Shareholding	Nature	Place of business
Subsidiary			
Fazal Weaving Mills Limited ('FWML')	100%	Spinning unit	Qadirpur Rawan, Khanewal Road Multan
Associates			
Fatima Energy Limited ('FEL')	19.00%	Energy generation	Sanawan, Kot Addu, Punjab
Fatima Transmission Company Limited ('FTCL')	24.00%	Transmission of energy	Sanawan, Kot Addu, Punjab
Fatima Electric Company Limited ('FECL')	20.00%	Energy generation	Khayaban-e-Jinnah Lahore Cantt

2.2 Statement of compliance

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

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards ('IFAS') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision 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.

2.3 Basis of measurement

These unconsolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, recognition of staff retirement benefits at present value and revaluation of certain financial instruments at fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.4 Functional and presentation currency

These unconsolidated financial statements have been prepared in Pak Rupees ('Rs.') which is the Company's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.5 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and 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 from the basis of making the judgments 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 a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

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

2.5.1 Property, plant and equipment

The Company reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period unto which the such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.2 Recoverable amount of assets/ cash generating units and impairment

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

2.5.4 Stores, spares, loose tools and stock-in-trade

The Company reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

2.5.5 Expected credit loss (ECL)/ Loss allowance against trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Company reviews the recoverability of its trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances to assess amount of loss allowance required on an annual basis.

2.5.6 Provisions and Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

2.5.7 Employee benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The projected unit credit method used for the valuation of the scheme is based on assumptions stated in note 11.1.

2.5.8 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

3 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

3.1 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- 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). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

    - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
    - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
    - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements does not have a material impact on the unconsolidated financial statements.

4 Significant accounting policy

The significant accounting policies set out below have been consistently applied to all periods presented in these unconsolidated financial statements, except as disclosed in note 4.1.

4.1 Changes in accounting policy

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual period beginning on or after 01 January 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

4.1.1 IFRS 16 - Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Company, as a lessee, has recognized right of use of assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

<u>As a lessee</u>

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

The Company presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Company has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

Transition

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under lAS 17.

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value items;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets (Hussain Ginneries). The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Impact of financial statements

The Company has applied IFRS 16 using the modified retrospective approach. On transition to IFRS 16, the Company recognized additional Rs. 68.92 million right of use asset and Rs. 68.92 million of lease liability. When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate applicable at the time of initial application of the standard.

The result of initial application of lFRS 16 has been disclosed in note 17 and note 10 to these unconsolidated financial statements.

Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. During the year, the Company recognized Rs. 5.7 million of depreciation charge and Rs. 10.24 million of interest cost from this lease.

4.2 Property, plant and equipment

Owned

Freehold land is measured at revalued amount less impairment if any.

Factory building',' non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and identified impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 17.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in unconsolidated statement of profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2020 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets if any, as stated in note 4.6. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

4.3 Revaluation surplus on property, plant and equipment

Revaluation of items of property, plant and equipment measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax). Upon disposal, any revaluation surplus is transferred to unappropriated profit (net of deferred tax).

4.4 Lease

At the inception of a contract, the Company assesses whether a contract is or contains lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. Right of use asset is disclosed in the property, plant and equipment as referred to in 17.1 of the unconsolidated financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero. Refer note 10 to these financial statements for disclosure of lease liability.

Short term leases and leases of low value assets

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Sale and lease back

Where the sale and lease back transactions result in a lease liability, any excess of sale proceeds over the carrying amount is deferred and amortized over the lease term. However, sale proceeds less than the carrying value is immediately recognized in the statement of profit or loss.

4.5 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

4.6 Borrowings cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.7 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in unconsolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014. Under this approach the Company is accounting for the related taxes under standalone taxpayer approach. Under this approach current and deferred taxes are recognized as if the entity was taxable in its own right.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company recognizes deferred tax asset/ liability on deficit/ surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/ surplus.

Further, the Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in statement of profit or loss, any related tax effects are also recognized in statement of profit or loss. For transactions and other events recognized outside unconsolidated statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside profit and loss (either in other comprehensive income or directly in equity, respectively).

4.8 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in unconsolidated statement of profit or loss.

4.9 Staff retirement benefits

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in the statement of profit or loss. Past service costs are immediately recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in unconsolidated statement of profit or loss. The Company recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

4.10 Provisions

Provisions are recognized when the Company has a present 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 obligation can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.11 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

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

4.12 Financial instruments

4.12.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

4.12.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in unconsolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, long term deposits, loan and advances, mark up accrued, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in unconsolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to unconsolidated statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to unconsolidated statement of profit or loss.

Financial assets measured at FVOCI comprise of long term investments in equity securities as detailed in note 18 of these unconsolidated financial statements.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in unconsolidated statement of profit or loss.

Financial asset measured at FVTPL comprise of short term investments in equity securities as detailed in note 26 of these unconsolidated financial statements.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse)

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in unconsolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in unconsolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in unconsolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, dividend payable, accrued markup and lease liability.

4.12.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in unconsolidated statement of profit or loss.

4.12.4 Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Company measured its long term advances and related markup to subsidiary and associated companies under the general approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in unconsolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.12.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Investments in subsidiary and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost less impairment, if any, in the Company’s separate financial statements. At subsequent reporting date, the recoverable amounts of investments are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense in the statement of profit or loss. Investments in subsidiaries and associates that have suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Where impairment losses subsequently reversed, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Impairment losses recognized in the statement of profit or loss on investments in subsidiaries and associates are reversed through the statement of profit or loss.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27, 'Separate Financial Statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

4.14 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.15 Stock-in-trade

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

Cost has been determined as follows:

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

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

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

4.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods, net of returns, allowances, trade discounts, rebates and sales tax. Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or services to a customer, and control either transfers over time or point in time.

4.17 Other income

Other income comprises dividend income, exchange gain, markup accrued and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

4.18 Government grants

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. The amount of grant shall be recognized and presented in the statement of financial position as 'deferred grant'. In subsequent periods, the loan amount is accreted using the effective interest method. The accreditation increases the carrying value of the loan with a corresponding effect on the interest expense for the year in the statement of profit or loss. The grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

4.19 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers‘ right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand and cash at banks.

4.21 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company discloses the operating segment in consolidated financial statements.

4.22 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.23 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

5 Issued, subscribed and paid-up capital

	2020	2019	**2020**	2019
	- - - - (Number of shares) - - - -		**- - - - - - - (Rupees) - - - - - - -**	
Ordinary shares of Rs. 10 each fully paid in cash	**1,000,000**	1,000,000	**10,000,000**	10,000,000
Ordinary shares of Rs. 10 each fully paid as right shares	**9,187,200**	9,187,200	**91,872,000**	91,872,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**19,812,800**	19,812,800	**198,128,000**	198,128,000
	30,000,000	30,000,000	**300,000,000**	300,000,000

5.1 As at the statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2020	2019	2020	2019
	------(Number of shares)---------		---(Percentage of holding)---	
Fazal Holdings (Private) Limited	**7,346,541**	7,346,541	**24.49**	24.49
Mr. Rehman Naseem	**3,101,320**	3,101,320	**10.34**	10.34
Mr. Fawad Ahmed Mukhtar	**2,415,422**	2,415,422	**8.05**	8.05
Mr. Fazal Ahmed Sheikh	**2,041,611**	2,041,611	**6.81**	6.81
Mr. Faisal Ahmed Mukhtar	**2,039,865**	2,039,865	**6.80**	6.80
Mr. Abdullah Amir Fazal	**1,421,639**	1,421,639	**4.74**	4.74
Mr. Muhammad Yousaf Amir S/O Amir Naseem Sheikh	**1,421,638**	1,421,638	**4.74**	4.74
Fatima Holding Limited	**1,176,847**	1,176,847	**3.92**	3.92
Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh	**1,012,970**	1,012,970	**3.38**	3.38
Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh	**1,012,969**	1,012,969	**3.38**	3.38
Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Ibrahim Mukhtar S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Fahad Mukhtar	**579,715**	579,715	**1.93**	1.93
Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar	**536,207**	536,207	**1.79**	1.79
Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar	**536,206**	536,206	**1.79**	1.79
Mr. Amir Naseem Sheikh	**82,828**	82,828	**0.28**	0.28
Mr. Sheikh Naseem Ahmad	**8,820**	8,820	**0.03**	0.03
Mrs. Mahnaz Amir Sheikh	**4,447**	4,447	**0.01**	0.01
Reliance Commodities (Private) Limited	**500**	500	**0.002**	0.002
Ms. Perveen Akhter Malik	**1**	-	**-**	-
Mr. Masood Karim Sheikh	**1**	-	**-**	-
Mr. Babar Ali	**1**	-	**-**	-

		2020	2019
6 Capital reserves	*Note*	**Rupees**	Rupees
Share premium			
Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001		**63,360,000**	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002		**14,256,000**	14,256,000
	6.1	**77,616,000**	77,616,000

	Note	2020 Rupees	2019 Rupees
Capital redemption reserve	6.2	**175,000,000**	175,000,000
Fair value reserve	6.3	**927,362,846**	1,120,927,815
		1,179,978,846	1,373,543,815

6.1 This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

6.2 This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

6.3 This represents fair value adjustment on investments classified as fair value through OCI and is not available for distribution to the shareholders.

7 Revaluation surplus on property, plant and equipment

	2020 Rupees	2019 Rupees
Gross surplus		
Balance at 01 July	**10,323,446,198**	10,710,810,909
Effect of disposal of operating fixed assets during the year - net of deferred tax	**(5,327,737)**	(18,200,980)
Related deferred tax liability	**(1,220,205)**	(4,145,763)
	(6,547,942)	(22,346,743)
Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	**(278,961,965)**	(297,312,975)
Related deferred tax liability	**(63,890,337)**	(67,704,993)
	(342,852,302)	(365,017,968)
Balance at 30 June	**9,974,045,954**	10,323,446,198
Deferred tax liability on revaluation surplus		
Balance at 01 July	**1,284,450,736**	1,136,151,204
Related deferred tax liability:		
- Effect of disposal of operating fixed assets during the year - net of deferred tax	**(1,220,205)**	(4,145,763)
- Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	**(63,890,337)**	(67,704,993)
	(65,110,542)	(71,850,756)
Effect of change proration rate	**5,978,735**	220,150,288
Balance at 30 June	**1,225,318,929**	1,284,450,736
Revaluation surplus on property, plant and equipment - net of tax	**8,748,727,025**	9,038,995,462

7.1 Property, plant and equipment of the Company except office equipment, furniture and fittings and vehicles had been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association, resulting in recognition of additional surplus of Rs. 3,713 million. Previously, the revaluation was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively.

Freehold land

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants, of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

Factory and non-factory building

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

Plant and machinery and other fixed assets

Plant and machinery and other fixed assets have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

8 Long term financing - *secured*

	Note	2020 Rupees	2019 Rupees
Long term financing:			
- banking companies	8.1	**9,708,158,491**	8,261,697,749
- other financial institutions	8.2	**1,732,500,000**	1,389,165,714
		11,440,658,491	9,650,863,463
Current portion of long term financing	12	**(604,978,034)**	(1,666,330,095)
		10,835,680,457	7,984,533,368

8.1 Banking companies:

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Askari Bank Limited					
- Term finance - TF	**266,666,667**	333,333,334	6 Months KIBOR + 1.00%	Balance principal amount is payable in eight equal half yearly installments, ending on 21 February 2025 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,776.50 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance - TF	**500,000,000**	500,000,000	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 26 May 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance - TF	**35,796,000**	-	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 22 December 2022.	
	802,462,667	833,333,334			
Soneri Bank Limited					
- Term finance - TF	**-**	14,963,523	3 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 886 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Term finance - TF	**-**	35,000,000	3 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	
- Term finance - TF	**60,000,000**	120,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in three equal quarterly installments, ending on 15 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance under SBP's LTFF scheme	**492,111,404**	492,111,404	SBP rate + 1.10% (fixed rate)	Balance principal amount is payable in thirty two equal quarterly installments, beginning on 20 September 2021 after availing deferment of one year as allowed by SBP during March 2020.	
	552,111,404	662,074,927			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Faysal Bank Limited					
- Term finance - TF	**-**	20,000,000	6 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 667 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
	-	20,000,000			
Habib Bank Limited					
- Demand finance under SBP's LTFF Scheme	**374,873,610**	428,426,984	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly installments, ending on 29 September 2027 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 600 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
	374,873,610	428,426,984			
National Bank of Pakistan					
- Demand finance - VII	**101,024,080**	144,320,113	6 Months KIBOR + 1.25%	Balance principal amount is payable in seven equal quarterly installments, ending on 03 December 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,566 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
- Demand finance - VII under SBP's LTFF Scheme	**50,713,648**	72,448,066	SBP rate + 1.25% (fixed rate)	Balance principal amount is payable in seven equal quarterly installments, ending on 03 December 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - IX under SBPs' LTFF Scheme	**900,000,000**	63,424,160	SBP rate + 0.60% (fixed rate)	Principal amount is payable in thirty six equal quarterly installments, beginning on 08 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - IX	**-**	53,388,920	6 Months KIBOR + 1.00%	Entire amount was transferred to SBP's LTFF Scheme during the year.	
	1,051,737,728	333,581,259			
United Bank Limited					
- Demand finance	**-**	20,000,000	3 Months KIBOR + 1.00%	Balance principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 1,503 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Demand finance - II under SBP's LTFF Scheme	**750,346,496**	808,065,453	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in thirteen equal half yearly installments, ending on 30 June 2027 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - III	**225,000,000**	262,500,000	6 Months KIBOR + 1.10%	Balance principal amount is payable in six equal half yearly installments, ending on 30 November 2023 after availing deferment of one year as allowed by SBP during March 2020.	
	975,346,496	1,090,565,453			
MCB Bank Limited					
- Term finance	**160,000,000**	240,000,000	3 Months KIBOR + 0.60%	Balance principal amount is payable in two equal half yearly installments, ending on 31 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 537 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
	160,000,000	240,000,000			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Allied Bank Limited					
- Term loan - V	**36,405,198**	72,810,396	6 Months KIBOR + 0.90%	Balance principal amount is payable in two equal half yearly installments, ending on 26 February 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,510 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company.
- Term loan - VI	**124,999,997**	208,333,331	6 Months KIBOR + 0.90%	Balance principal amount is payable in three equal half yearly installments, ending on 06 August 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan - VII	**387,299,485**	442,627,983	6 Months KIBOR + 0.65%	Balance principal amount is payable in fourteen equal half yearly installments, ending on 02 March 2028 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan - VII under SBP's LTFF Scheme	**332,850,654**	355,040,698	SBP Rate+0.50% (fixed rate)	Balance principal is payable in fifteen equal half yearly installments, ending on 02 September 2028 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan -VIII under SBP's LTFF scheme	**689,994,325**	689,994,325	SBP rate + 0.50% (fixed rate)	Principal amount is payable in sixteen equal half yearly installments, beginning on 04 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan -IX	**-**	32,644,463	6 Months KIBOR + 0.75%	Entire amount was transferred to SBP's LTFF Scheme during the year.	
- Term loan -IX under SBP's LTFF scheme	**498,134,914**	-	SBP rate + 0.75% (fixed rate)	Principal amount is payable is sixteen equal half yearly installments, beginning on 27 September 2021.	
- Term loan -X	**152,777,393**	-	6 Months KIBOR + 0.75%	Principal amount is payable is nineteen equal half yearly installments, beginning on 25 March 2021.	
- Term loan -XI under SBP's LTFF (Salaries & Wages) scheme - *Note 8.4*	**276,546,274**	-	1.50% fixed rate	Principal amount is payable in eight equal quarterly installments, beginning on 01 January 2021.	
Less: deferred grant	**(30,891,117)**	-			
	2,468,117,123	1,801,451,196			
The Bank of Khyber					
- Term finance	**34,866,812**	104,600,444	6 Months KIBOR + 0.75%	Last installment of principal amount is payable on 25 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,330 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Demand finance - II	**75,000,000**	112,500,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in two equal half yearly installments, ending on 15 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand Finance under SBP's LTFF scheme	**350,000,000**	350,000,000	SBP rate + 0.60% (fixed rate)	Principal amount is payable in ten equal half yearly installments, beginning on 27 February 2022 after availing deferment of one year as allowed by SBP during March 2020.	
	459,866,812	567,100,444			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	--------------- Rupees	---------------			
The Bank of Punjab					
- Term finance	**83,200,710**	104,000,887	6 Months KIBOR + 0.85%	Balance principal amount is payable in four equal half yearly, ending on 30 September 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 2,873 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance under SBP's LTFF Scheme	**437,500,002**	500,000,000	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly installments, ending on 05 December 2027 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**600,000,000**	600,000,000	6 Months KIBOR + 0.75%	Principal amount is payable in twelve equal half yearly installments, beginning on 25 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance under SBP's LTFF Scheme	**499,913,265**	499,913,265	SBP rate + 0.75% (fixed rate)	Balance principal amount is payable in sixteen equal half yearly installments, beginning on 15 June 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**247,343,093**	-	6 Months KIBOR + 1.50%	Principal amount is payable in sixteen equal half yearly installments, beginning on 27 June 2022.	
- Term finance under SBP's LTFF Scheme	**45,685,581**	-	SBP rate + 1.50% (fixed rate)	Principal amount is payable in sixteen equal half yearly installments, beginning on 27 June 2022.	
	1,913,642,651	1,703,914,152			
Standard Chartered Bank (Pakistan) Ltd					
- Term finance	**225,000,000**	281,250,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in four equal half yearly installments, ending on 06 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 552 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
JS Bank Limited					
- Term finance	**225,000,000**	300,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in six equal half yearly installments, ending on 24 January 2024 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 620 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
Bank Al Habib Limited					
- Term finance	**500,000,000**	-	6 Months KIBOR + 1.00%	Principal amount is payable in ten equal half yearly installments, beginning on 17 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Company.
	9,708,158,491	8,261,697,749			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				

8.2 Other financial institutions:

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Pak Brunei Investment Company Limited					
- Term finance	-	16,665,714	3 Months KIBOR + 0.80%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 212 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Term finance	**125,000,000**	187,500,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in four equal half yearly installments, ending on 23 January 2023 after availing deferment of one year as allowed by SBP during March 2020.	
	125,000,000	204,165,714			
Pak Oman Investment Company Limited					
- Term finance	**62,500,000**	87,500,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in five equal quarterly installments, ending on 26 March 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,103 million on all present and future fixed assets of the Company, ranking charge on plant & machinery of Rs. 667 million and personal guarantees of the sponsoring directors. Ranking charge will be vacated after upgradation to 1st joint pari passu charge.
- Term finance	**245,000,000**	297,500,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in fourteen equal quarterly installments, ending on 23 September 2024 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**500,000,000**	500,000,000	6 Months KIBOR + 0.90%	Principal amount is payable in twenty equal quarterly installments, beginning on 24 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**500,000,000**	-	3 Months KIBOR + 2%	Principal amount is payable in twenty four equal quarterly installments, beginning on 09 June 2021.	
	1,307,500,000	885,000,000			
Saudi Pak Industrial & Agricultural Investment Co. Ltd					
- Term finance	**300,000,000**	300,000,000	6 Months KIBOR + 2.25%	Principal amount is payable in twelve equal half yearly installments, beginning on 21 July 2021.	1st joint pari passu charge/ mortgage of Rs. 400 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
	1,732,500,000	1,389,165,714			

8.3 State Bank of Pakistan introduced a 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions have deferred repayment of principal loans as stated in respective loans by one year, provided that the Company will continue to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period.

8.4 State Bank of Pakistan introduced a 'Refinance Scheme for payment of wages and salaries (RFWS Scheme)' to support the companies in payment of salaries during COVID-19 pandemic. Under this scheme, the Company has availed financing of Rs. 276.55 million from a commercial bank at a subsidized rate of 1.5% per annum. This facility has been recognized at fair value under IFRS-9 using an effective rate of interest of 9.1% per annum, difference being recorded as deferred grant in accordance with IAS 20. In accordance with the terms of the grant, the Company is prohibited to lay-off the employees at least for six months from the period of the grant. Government grant amounting to Rs. 30.89 million has been recorded in the unconsolidated financial statements for the year ended 30 June 2020.

8.5 As per the financing document, the Company is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Company is required to comply with certain conditions imposed by the providers of finance to make dividend payment.

9 Long term musharika - *secured*

Islamic mode of financing

	Note	2020 Rupees	2019 Rupees
Long term musharika - banking companies	9.1	**2,892,663,333**	2,161,250,000
Less: Current portion of long term musharika	12	**(269,746,666)**	(475,833,333)
		2,622,916,667	1,685,416,667

9.1 Banking companies:

Lender	2020	2019	Rate of profit per Annum	Tenure and basis of principal repayments	Security
	---Rupees---				
Meezan Bank Limited					
- Diminishing musharika - III	**-**	30,000,000	6 Months KIBOR + 0.90%	Principal amount has been fully repaid during the year.	Exclusive ranking charge on specific imported machinery stand vacated / satisfied.
- Diminishing musharika	**500,000,000**	500,000,000	6 Months KIBOR + 1.25%	Balance principal amount is payable in eight equal half yearly instalments, beginning on 28 May 2021.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
	500,000,000	530,000,000			
Dubai Islamic Bank Pakistan Limited					
- Diminishing musharika	**200,000,000**	250,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in four equal half yearly instalments, ending on 07 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs.1,736 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
- Diminishing musharika	**598,913,333**	600,000,000	6 Months KIBOR + 2.00%	Principal amount is payable in eight equal half yearly instalments, beginning on 02 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Diminishing musharika	**500,000,000**	-	3 Months KIBOR + 1.50%	Principal amount is payable in twenty equal quarterly instalments, beginning on 06 December 2021 after availing deferment of one year as allowed by SBP during March 2020.	
	1,298,913,333	850,000,000			
Standard Chartered Bank (Pakistan) Limited					
- Diminishing musharika	**93,750,000**	281,250,000	6 Months KIBOR + 1.00%	Last installment of principal amount is payable on 27 August 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs.552 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors.
Faysal Bank Limited					
- Diminishing musharika	**500,000,000**	500,000,000	3 Months KIBOR + 0.75%	Principal amount is payable in six equal half yearly instalments beginning on 06 June 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 667 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company.
National Bank of Pakistan					
- Diminishing musharika	**500,000,000**	-	6 Months KIBOR + 0.85%	Principal amount is payable in ten equal half yearly instalments beginning on 02 January 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,566 million over all present and future fixed assets of the Company.
	2,892,663,333	2,161,250,000			

9.2 State Bank of Pakistan introduced a 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions have deferred repayment of principal loans as stated in respective loans by one year, provided that the Company will continue to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period.

10 Lease liability - unsecured

	2020		
	Minimum lease payments	Finance charge	Present value of minimum lease payments
	---------------------- (Rupees) ----------------------		
Not later than one year	**8,784,600**	**10,517,582**	**(1,732,982)**
Later than one year and not later than five years	**58,993,945**	**52,530,290**	**6,463,655**
Above five years	**95,010,340**	**28,567,895**	**66,442,445**
	162,788,885	**91,615,767**	**71,173,118**

As explained in note 4.1.1 to the financial statements, the Company has recognized lease building during the year on account of head office building rented out to the Company. The remaining tenure of contract is 11 years payable quarterly. Lease liability is calculated at discount rate of 15.11%.

	Note	2020 Rupees	2019 Rupees
11 Deferred liabilities			
Staff retirement benefit - Gratuity	*11.1*	**268,630,086**	255,329,914
Deferred taxation	*11.2*	**3,106,579,895**	3,022,411,367
		3,375,209,981	3,277,741,281

11.1 Staff retirement benefit - Gratuity

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2020 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:

	Note	2020 Rupees	2019 Rupees
11.1.1 The amounts recognized in the statement of financial position is as follows:			
Present value of defined benefit obligation liability at 30 June	*11.1.2*	**268,630,086**	255,329,914
11.1.2 Movement in the liability for defined benefit obligation recognized in the 'Statement of financial position' is as follows:			
Liability for defined benefit obligation at 01 July		**255,329,914**	252,712,792
Current service cost	*11.1.3*	**95,845,245**	106,499,812
Interest cost on defined benefit obligation	*11.1.3*	**30,195,973**	18,418,043
Actuarial gain charged to 'Other Comprehensive Income'	*11.1.5*	**(25,884,353)**	(26,164,992)
Benefits paid during the year		**(86,856,693)**	(96,135,741)
Liability for defined benefit obligation at 30 June		**268,630,086**	255,329,914
11.1.3 The amounts recognized in the 'Statement of profit or loss' against defined benefit plan are as follows:			
Current service cost		**95,845,245**	106,499,812
Interest cost		**30,195,973**	18,418,043
		126,041,218	124,917,855

		2020 Rupees	2019 Rupees
11.1.4	**Charge to 'Statement of profit or loss' against defined benefit plan has been allocated as under**		
	Cost of sales	**116,246,446**	110,403,952
	Selling and distribution expense	**1,841,964**	2,089,236
	Administrative expense	**7,952,808**	12,424,667
		126,041,218	124,917,855
11.1.5	**Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:**		
	Remeasurement loss defined benefit obligation due to:		
	- changes in demographic assumptions	**-**	4,190,342
	- changes in financial assumptions	**(696,576)**	4,611,611
	- change in experience adjustment	**(25,187,777)**	(34,966,945)
		(25,884,353)	(26,164,992)

11.1.6 Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :

The following are the principal actuarial assumptions at the reporting date:	**2020**	2019
Discount rate used for interest cost	**14.25% per annum**	9.00% per annum
Discount rate used for year end obligation	**8.50% per annum**	14.25% per annum
Expected rate of growth per annum in future salaries	**7.50% per annum**	13.25% per annum
Mortality rates	**SLIC (2001 - 05) Setback 1 Year**	SLIC (2001 - 05) Setback 1 Year
Retirement assumption	**Age 60**	Age 60

11.1.7 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2020			2019		
	Impact on defined benefit obligation			Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
	Percentage	----------- Rupees -----------		Percentage	----------- Rupees -----------	
Discount rate	1.00%	255,833,654	283,280,941	1.00%	242,704,925	269,646,375
Salary growth rate	1.00%	283,280,941	255,609,199	1.00%	270,465,449	241,721,722

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

11.1.8 The Company expects to charge Rs. 102.28 million against current service cost and Rs. 19.14 million against net interest cost, aggregating to Rs. 121.42 million, to 'Statement of Profit or Loss' in respect of defined benefit plan in 2021.

11.1.9 The Company exposure to the actuarial risks are as follows:

a) **Salary risks**

The risk that the final salary at the time of cessation of service is greater than the assumed salary. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

b) Demographic risks

Mortality Risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on

Withdrawal Risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

11.1.10 Gratuity scheme entitles members of staff retirement benefit plan on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based, on the Company's service rules, for staff gratuity. Gratuity is based on the last month basic salary for each year of service.

11.2 Deferred taxation

	2020				
	Balance at 01 July	Effect of change in proration rate		(Reversal from)/ charge to	Balance at 30 June
		Equity	'Statement of profit or loss'	'Statement of profit or loss'	
	Rupees				
Taxable temporary differences arising in respect of :					
Revaluation surplus on property, plant and equipment	1,284,450,736	5,978,735	-	(65,110,542)	1,225,318,929
Accelerated Tax depreciation	1,388,519,709	-	6,463,145	138,915,052	1,533,897,906
Effect of 'Group Taxation'	354,845,664	-	-	-	354,845,664
	3,027,816,109	5,978,735	6,463,145	73,804,510	3,114,062,499
Deductible temporary difference arising in respect of :					
Provisions	(5,404,742)	-	(25,157)	(2,052,705)	(7,482,604)
Deferred tax liability	3,022,411,367	5,978,735	6,437,988	71,751,805	3,106,579,895

	2019				
	Balance at 01 July	Effect of change in tax rate and proration rate		(Reversal from) / charge to	Balance at 30 June
		Equity	'Statement of profit or loss'	'Statement of profit or loss'	
	----- Rupees -----				
Taxable temporary differences arising in respect of :					
Revaluation surplus on property, plant and equipment	1,136,151,204	220,150,288	-	(71,850,756)	1,284,450,736
Accelerated Tax depreciation	1,012,998,048	-	226,668,732	148,852,929	1,388,519,709
Effect of 'Group Taxation'	354,845,664	-	-	-	354,845,664
	2,503,994,916	220,150,288	226,668,732	77,002,173	3,027,816,109
Deductible temporary difference in respect of :					
Minimum tax carried forward	(233,143,126)	-	-	233,143,126	-
Provisions	(2,879,713)	-	908,594	(3,433,623)	(5,404,742)
	(236,022,839)	-	908,594	229,709,503	(5,404,742)
Deferred tax liability	2,267,972,077	220,150,288	227,577,326	306,711,676	3,022,411,367

12	Current portion of non-current liabilities	Note	2020 Rupees	2019 Rupees
	Markup bearing finances from conventional banks:			
	Long term financing - *secured*	8	**604,978,034**	1,666,330,095
	Islamic mode of financing :			
	Long term musharika - *secured*	9	**269,746,666**	475,833,333
	Deferred grant	8	**13,909,541**	-
			888,634,241	2,142,163,428

13 Trade and other payables

	Note	2020 Rupees	2019 Rupees
Trade creditors		**490,794,165**	646,495,712
Accrued liabilities		**1,069,140,306**	1,134,612,379
Due to associated undertakings	*13.1*	**314,504,221**	21,011,764
Bills payable		**557,272,334**	743,765,178
Contract liabilities		**299,531,400**	68,220,014
Tax deducted at source		**9,231,910**	1,686,185
Infrastructure cess	*13.2*	**484,440,367**	394,289,661
Workers' profit participation fund	*13.3*	**51,639,012**	118,818,402
Workers' welfare fund	*13.4*	**45,294,343**	32,928,560
Sales tax payable	*13.5*	**-**	164,765,348
		3,321,848,058	3,326,593,203

13.1 Due to associated undertakings

	Note	2020 Rupees	2019 Rupees
Ahmed Fine Textile Mills Limited		**246,420,298**	-
Fazal Weaving Mills Limited		**32,225,080**	-
Hussain Ginneries Limited		**12,012,520**	12,000,970
Fatima Energy Limited		**21,957,598**	757,694
Fatima Fertilizer Company Limited		**1,765,621**	6,180,175
Fazal Farm (Private) Limited		**54,103**	1,818,639
Fazal-ur-Rehman Foundation		**28,500**	213,785
Pakarab Fertilizer Limited		**40,501**	40,501
	13.1.1	**314,504,221**	21,011,764

13.1.1 These are unsecured and in the normal course of business for goods and services.

13.2 This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Company has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Company, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these unconsolidated financial statement.

13.3	Workers' profit participation fund	Note	2020 Rupees	2019 Rupees
	Balance as at 01 July		**118,818,402**	76,440,221
	Provision for the year	33	**51,639,012**	118,818,402
	Interest on funds utilized by the Company		**28,223,440**	11,216,147
			198,680,854	206,474,770
	Payment made during the year		**(146,806,922)**	(87,559,883)
	Deposited in 'Government Treasury'		**(234,920)**	(96,485)
	Balance as at 30 June		**51,639,012**	118,818,402

13.4	Workers' Welfare Fund	Note	2020 Rupees	2019 Rupees
	Balance as at 01 July		**32,928,560**	11,162,227
	Allocation for the year	33	**12,365,783**	21,766,333
	Balance as at 30 June		**45,294,343**	32,928,560

13.5 As detailed in note 29.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Company had been charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Company had challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC had issued an interim stay in favor of the Company, whereby the Company was not required to make the payment of the amount till finalization of the matter. Subsequently, the LHC through its order dated 05 August 2020 has decided that the amendment in Sales tax Act, 1990 enacted through Finance Act, 2017 and notifications issued in terms thereof are declared ultra vires the constitution and of no legal effect. Accordingly, an amount of Rs. 164.77 million has been re-classified to contract liabilities.

14 Short term borrowings - *secured*

Banking Companies	Nominal interest rate %	2020 Rupees	2019 Rupees
Mark-up based borrowings from conventional banks			
Cash finance	**8.56 - 14.71**	**377,655,953**	1,149,579,206
Running finance	**8.56 - 15.18**	**1,060,512,203**	1,152,055,660
Finance against imported merchandise	**8.44 - 14.80**	**382,085,570**	1,828,936,369
Money market loan	**7.68 - 14.52**	**2,778,999,999**	3,820,877,515
Finance against trust receipt	**8.59 - 14.04**	**457,466,061**	48,942,000
Foreign currency export finance *(USD: 20,995,406)*	**1.88 - 3.89**	**3,542,974,780**	-
Islamic mode of financing			
Running musharika	**9.36 - 14.68**	**525,056,419**	985,697,310
Karobar finance/ Import murabaha/ Musawammah	**8.58 - 13.81**	**100,000,000**	924,464,747
		9,224,750,985	9,910,552,807

14.1 The Company has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up/ profit arrangements to meet the working capital requirements having aggregate sanctioned limits of Rs. 26,140 million (2019: Rs. 23,088 million). These facilities are secured against different securities including pledge of stock- in-trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 3,360 (2019: Rs. 5,700 million) and 69 million shares of Fatima Fertilizer Company Limited. Short term borrowing facilities (funded and unfunded) which remained unutilized at year end are Rs. 14,743 million (2019: Rs. 11,675 million). These facilities are expiring on various dates by 30 June 2021.

15 Accrued mark-up	**2020**	2019
	Rupees	Rupees
Mark-up based loans from conventional bank:		
Long term financing - *secured*	**227,161,368**	182,071,978
Short term borrowings - *secured*	**128,599,956**	141,108,748
	355,761,324	323,180,726
Islamic mode of financing:		
Long term musharika - *secured*	**81,975,797**	49,705,999
Short term borrowings - *secured*	**14,012,065**	34,004,702
	95,987,862	83,710,701
	451,749,186	406,891,427

16 Contingencies and commitments

16.1 Contingencies

Income Tax

16.1.1 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 8.8 million, 36.38 million and Rs. 49.78 million against the Company through separate orders, dated 28 June 2019, 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2013, 2015 and 2016 respectively. The Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.

16.1.2 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 32.03 million through amendment order, dated 28 June 2019 under section 122(5A) for tax year 2013. The Company has preferred appeal against the orders in appeal before CIR-A which is pending adjudication.

16.1.3 The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Company has agitated the order in appeal before CIR-A, which is pending adjudication.

16.1.4 Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million, the Company has been extended significant relief by the CIR-A. The issues in respect of which CIR-A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue (ATIR) and such appeals are pending adjudication.

16.1.5 The officials of LTU - Lahore, while giving effect to findings of CIR-A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/ increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR-A which are pending adjudication.

16.1.6 Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2013 involving a sum of Rs. 234 million. The first appellate authority has maintained departmental stance, the Company's appeals are lying with Appellate Tribunal Inland Revenue except for tax year 2013 which is pending with CIR-A.

16.1.7 Proceedings were initiated by officials of LTU - Lahore through orders dated 29 December 2018 under section 122(5A) of the Ordinance regarding admissibility of WPPF provision amounting to Rs. 16.12 million, Rs. 10.71 million and Rs. 12.50 million for tax year 2015, 2016 and 2017 respectively. The Company filed an appeal before CIR-A which is pending for adjudication.

16.1.8 Through order dated 28 June 2019 under section 132/162/205 of the Ordinance, the LTU - Lahore officials raised income tax demand of Rs. 10.11 million for tax year 2009 on the grounds that tax under section 148 at import stage was short paid. The Company filed an appeal before CIR(A), through appellate order 23 October 2019 the tax demand was vacated by CIR(A). The department has assailed the appellate order of CIR-A in appeal before ATIR which has not yet been fixed for hearing.

Sales Tax

16.1.9 The Assistant Commissioner Inland Revenue, as a result of sales tax audit for tax year July 2013 to June 2014 raised a sales tax demand of Rs. 71.60 million through order dated 31 July 2017. The Company filed an appeal before CIR-A which was disposed off through appellate order dated 06 March 2019 passed under section 45B of the Sales Tax Act (‘Act’) whereby such order was annulled, and the matter was remanded back to department for denovo consideration which is pending adjudication.

16.1.10 The Deputy Commissioner Inland Revenue (DCIR) issued Order-In-Original No. 14/2019-20 dated April 15, 2020 (‘ONO’) under section 11 of the Sales Tax Act 1990, disallowing the input tax of Rs 143.63 million claimed under various heads from tax periods July 2013 to August 2018. The Company filed an appeal before CIR-A which was disposed off through appellate order dated 29 June 2020 passed under section 45B of the sales Tax Act (‘Act’) whereby ONO was annulled, and the matter was remanded back to department for denovo consideration. However, the Company preferred an appeal in ATIR and the matter is pending adjudication.

Based on the opinion of the Company's legal counsel the management is confident of favorable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the unconsolidated financial statements.

16.2 Commitments

16.2.1 Export documents negotiated with banks under Foreign bill purchase facility are USD 2.81 million (2019: USD 1.48 million).

		2020 Rupees	2019 Rupees
16.2.2	Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies.	**979,554,700**	829,918,200
16.2.3	**Commitments against irrevocable letters of credit:**		
	- capital expenditure	**324,053,382**	1,156,882,636
	- raw material and stores and spares	**1,195,456,542**	672,052,805
		1,519,509,924	1,828,935,441
16.2.4	**Commitments in respect of foreign exchange forward contracts:**	**506,250,000**	-

16.2.5 Minimum lease payment in respect of ginning unit under operating lease ending on 30 June 2021, is as under:

	2020 Rupees	2019 Rupees
- not later than one year	**1,250,000**	8,510,000
- 1 to 5 years	**-**	50,005,329
- later than 5 years	**-**	122,019,562

17 Property, plant and equipment

	Note	2020 Rupees	2019 Rupees
Operating fixed assets	*17.1*	**24,747,588,650**	23,518,103,577
Right of use asset - building		**63,179,387**	-
Capital work-in-progress - *at cost*	*17.3*	**302,041,676**	481,928,078
		25,112,809,713	24,000,031,655

17.1 Operating fixed assets

	Cost/ revalued amount: Balance as at 01 July 2019	Additions	Disposals	Balance as at 30 June 2020	Rate %	Accumulated depreciation: Balance as at 01 July 2019	For the year	Disposals	Balance as at 30 June 2020	Net book value: Balance as at 30 June 2020
	Rupees					Rupees				
Freehold land										
- cost	456,983,957	-	-	456,983,957		-	-	-	-	456,983,957
- revaluation surplus	3,398,663,284	-	-	3,398,663,284		-	-	-	-	3,398,663,284
	3,855,647,241			3,855,647,241		-	-	-	-	3,855,647,241
Factory building on free hold land										
- cost	1,868,972,019	253,665,246	-	2,122,637,265		547,921,661	76,793,743	-	624,715,404	1,497,921,861
- revaluation surplus	2,965,805,291	-	-	2,965,805,291	5	1,309,121,107	80,354,066	-	1,389,475,173	1,576,330,118
	4,834,777,310	253,665,246	-	5,088,442,556		1,857,042,768	157,147,809	-	2,014,190,577	3,074,251,979
Non-factory building on free hold land										
- cost	664,819,986	71,122,090	-	735,942,076		201,386,719	24,052,580	-	225,439,299	510,502,777
- revaluation surplus	2,733,006,481	-	-	2,733,006,481	5	1,059,531,108	83,273,570	-	1,142,804,678	1,590,201,803
	3,397,826,467	71,122,090	-	3,468,948,557		1,260,917,827	107,326,150	-	1,368,243,977	2,100,704,580
Non-factory building on lease hold land										
- cost	85,284,154	-	-	85,284,154		18,583,408	10,005,112	-	28,588,520	56,695,634
- revaluation surplus	-	-	-	-	15	-	-	-	-	-
	85,284,154	-	-	85,284,154		18,583,408	10,005,112	-	28,588,520	56,695,634
Plant and machinery										
- cost	14,583,083,958	1,860,838,974	(26,821,086)	16,417,101,846		4,370,022,782	568,481,259	(19,709,684)	4,918,794,357	11,498,307,489
- revaluation surplus	5,070,379,352		(11,264,857)	5,059,114,495	5	2,291,152,513	138,389,687	(4,716,915)	2,424,825,285	2,634,289,210
	19,653,463,310	1,860,838,974	(38,085,943)	21,476,216,341		6,661,175,295	706,870,946	(24,426,599)	7,343,619,642	14,132,596,699
Electric fittings and installations										
- cost	693,567,798	95,166,584	(644,694)	788,089,688		211,760,650	25,395,685	(308,571)	236,847,764	551,241,924
- revaluation surplus	1,139,280,062	-	-	1,139,280,062	5	473,463,240	33,251,641	-	506,714,881	632,565,181
	1,832,847,860	95,166,584	(644,694)	1,927,369,750		685,223,890	58,647,326	(308,571)	743,562,645	1,183,807,105
Sui gas installations										
- cost	14,020,862	359,550	-	14,380,412		7,732,891	315,897	-	8,048,788	6,331,624
- revaluation surplus	13,612,858	-	-	13,612,858	5	7,555,252	302,880	-	7,858,132	5,754,726
	27,633,720	359,550	-	27,993,270		15,288,143	618,777	-	15,906,920	12,086,350
Tools, laboratory equipment and arms										
- cost	88,231,059	2,363,859	-	90,594,918		25,567,923	3,232,783	-	28,800,706	61,794,212
- revaluation surplus	277,982,761	-	-	277,982,761	5	155,620,029	6,223,495	-	161,843,524	116,139,237
	366,213,820	2,363,859	-	368,577,679		181,187,952	9,456,278	-	190,644,230	177,933,449
Fire extinguishing equipment and scales										
- cost	11,290,944	1,657,970	-	12,948,914		6,605,445	249,915	-	6,855,360	6,093,554
- revaluation surplus	44,371,068	-	-	44,371,068	5	23,211,710	1,056,963	-	24,268,673	20,102,395
	55,662,012	1,657,970	-	57,319,982		29,817,155	1,306,878	-	31,124,033	26,195,949
Office equipments	50,762,578	12,226,312	(791,933)	62,196,957	10	23,543,563	3,364,710	(281,006)	26,627,267	35,569,690
Furniture and fittings	27,979,170	1,155,937	-	29,135,107	10	13,939,469	1,463,593	-	15,403,062	13,732,045
Vehicles	204,238,565	18,588,672		222,827,237	20	127,513,160	16,946,148	-	144,459,308	78,367,929
Right of use asset - building	-	68,922,967	-	68,922,967	8.33	-	5,743,580	-	5,743,580	63,179,387
2020	34,392,336,207	2,386,068,161	(39,522,570)	36,738,881,798		10,874,232,630	1,078,897,307	(25,016,176)	11,928,113,761	24,810,768,037

	Cost/ revalued amount					Accumulated depreciation				Net book value
	Balance as at 01 July 2018	Additions	Disposals	Balance as at 30 June 2019	Rate %	Balance as at 01 July 2018	For the year	Disposals	Balance as at 30 June 2019	Balance as at 30 June 2019
	Rupees					Rupees				
Freehold land										
- cost	456,684,466	299,491	-	456,983,957		-	-	-	-	456,983,957
- revaluation surplus	3,398,663,284	-	-	3,398,663,284		-	-	-	-	3,398,663,284
	3,855,347,750	299,491	-	3,855,647,241		-	-	-	-	3,855,647,241
Factory building on free hold land										
- cost	1,595,549,410	273,422,609	-	1,868,972,019		484,728,337	63,193,324	-	547,921,661	1,321,050,358
- revaluation surplus	2,965,805,291	-	-	2,965,805,291	5	1,221,927,202	87,193,905	-	1,309,121,107	1,656,684,184
	4,561,354,701	273,422,609	-	4,834,777,310		1,706,655,539	150,387,229	-	1,857,042,768	2,977,734,542
Non-factory building on free hold land										
- cost	652,038,866	12,781,120	-	664,819,986		177,166,567	24,220,152	-	201,386,719	463,433,267
- revaluation surplus	2,733,006,481	-	-	2,733,006,481	5	971,453,457	88,077,651	-	1,059,531,108	1,673,475,373
	3,385,045,347	12,781,120	-	3,397,826,467		1,148,620,024	112,297,803	-	1,260,917,827	2,136,908,640
Non-factory building on lease hold land										
- cost	81,960,081	3,324,073	-	85,284,154		7,171,507	11,411,901	-	18,583,408	66,700,746
- revaluation surplus	-	-	-	-	15	-	-	-	-	-
	81,960,081	3,324,073	-	85,284,154		7,171,507	11,411,901	-	18,583,408	66,700,746
Plant and machinery										
- cost	12,558,707,336	2,113,013,151	(88,636,529)	14,583,083,958		3,949,772,542	482,680,716	(62,430,476)	4,370,022,782	10,213,061,176
- revaluation surplus	5,107,606,695	-	(37,227,343)	5,070,379,352	5	2,159,196,254	146,836,859	(14,880,600)	2,291,152,513	2,779,226,839
	17,666,314,031	2,113,013,151	(125,863,872)	19,653,463,310		6,108,968,796	629,517,575	(77,311,076)	6,661,175,295	12,992,288,015
Electric fittings and installations										
- cost	588,866,675	105,950,607	(1,249,484)	693,567,798		190,724,111	21,444,033	(407,494)	211,760,650	481,807,148
- revaluation surplus	1,139,280,062	-	-	1,139,280,062	5	438,420,516	35,042,724	-	473,463,240	665,816,822
	1,728,146,737	105,950,607	(1,249,484)	1,832,847,860		629,144,627	56,486,757	(407,494)	685,223,890	1,147,623,970
Sui gas installations										
- cost	14,020,862	-	-	14,020,862		7,401,945	330,946	-	7,732,891	6,287,971
- revaluation surplus	13,612,858	-	-	13,612,858	5	7,236,431	318,821	-	7,555,252	6,057,606
	27,633,720	-	-	27,633,720		14,638,376	649,767	-	15,288,143	12,345,577
Tools, laboratory equipment and arms										
- cost	87,742,390	488,669	-	88,231,059		22,155,680	3,412,243	-	25,567,923	62,663,136
- revaluation surplus	277,982,761	-	-	277,982,761	5	149,184,895	6,435,134	-	155,620,029	122,362,732
	365,725,151	488,669	-	366,213,820		171,340,575	9,847,377	-	181,187,952	185,025,868
Fire extinguishing equipment and scales										
- cost	11,153,444	137,500	-	11,290,944		6,365,244	240,201	-	6,605,445	4,685,499
- revaluation surplus	44,371,068	-	-	44,371,068	5	22,098,836	1,112,874	-	23,211,710	21,159,358
	55,524,512	137,500	-	55,662,012		28,464,080	1,353,075	-	29,817,155	25,844,857
Office equipments	47,433,984	4,188,144	(859,550)	50,762,578	10	21,237,343	2,711,955	(405,735)	23,543,563	27,219,015
Furniture and fittings	26,451,304	1,527,866	-	27,979,170	10	12,493,706	1,445,763	-	13,939,469	14,039,701
Vehicles	192,347,996	24,681,814	(12,791,245)	204,238,565	20	122,343,135	15,456,800	(10,286,775)	127,513,160	76,725,405
2019	31,993,285,314	2,539,815,044	(140,764,151)	34,392,336,207		9,971,077,708	991,566,002	(88,411,080)	10,874,232,630	23,518,103,577

17.1.1 Depreciation for the year has been allocated as under:

	Note	2020 Rupees	2019 Rupees
Cost of sales	*30*	**1,041,368,956**	960,534,100
Administrative expense	*32*	**37,528,351**	31,031,902
		1,078,897,307	991,566,002

17.1.2 Additions in operating fixed assets represents transfer from capital work-in-progress.

17.1.3 All assets of the Company as at 30 June 2020 are located in Pakistan.

17.1.4 The latest valuation of Company's assets was carried out on 28 February 2018. The Category wise gross revalued amounts along with forced sale values, as at the that date, are given below:

	Gross revalued amount	Forced sales value
	- - - - - - - - - Rupees	- - - - - - - - -
Freehold land	3,853,000,000	3,082,400,000
Factory building on free hold land	2,703,457,509	2,162,766,000
Non-factory building on free hold land	2,179,642,491	1,743,714,000
Plant and machinery	11,414,750,000	9,131,679,000
Electric fittings and installations	1,116,700,000	893,360,000
Sui gas installations	13,221,897	10,578,000
Tools, laboratory equipment and arms	197,845,769	158,277,000
Fire fighting and weighing scales	27,532,334	22,026,000
	21,506,150,000	**17,204,800,000**

17.1.5 Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

Particulars	**Location**	**Total Area**
Free hold land (Manufacturing Unit)	Jhang Road, Muzaffargarh	588 kanal and 11.5 marlas
Free hold land (Residential Colony)	Jhang Road, Muzaffargarh	107 kanal and 15 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	588 kanal and 9.6 marlas
Free hold land (Residential Colony)	Qadirpur Rawan bypass Khanewal Road, Multan	92 kanal and 8 marlas
Free hold land (under licensed agreement to Fazal Weaving Mills Limited)	Qadirpur Rawan bypass Khanewal Road, Multan	148 kanal
Free hold land (Administrative Storage Unit)	Sarwar Road, Multan	15 marlas
Free hold land	Bahawalpur Road, Multan	7 kanal and 9 marlas

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under right of use asset, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.

17.2 The following assets were disposed of during the year

	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds/ Insurance claim	Gain/ (loss)	Mode of disposal	Particulars of purchaser	Relationship
	-----	-----	----- Rupees -----	-----	-----			
Plant and machinery								
Ring Frames RY4 Toyoda 480s	9,267,186	7,082,069	2,185,117	555,000	(1,630,117)	Negotiation	Mr. Annas Bilal	Third party
Ring Frames RY4 Toyoda 480s	9,267,186	7,091,212	2,175,974	555,000	(1,620,974)	Negotiation	Mr. Annas Bilal	Third party
Lycra Attachment Ring EJM-128 480s	6,084,700	3,723,741	2,360,959	187,500	(2,173,459)	Negotiation	Mr. Khalid	Third party
Simplex Frames HY491 120s	9,705,550	4,156,239	5,549,311	775,000	(4,774,311)	Negotiation	Mr. Annas Bilal	Third party
Drawing Machine DHY-500C	3,069,352	1,855,341	1,214,011	225,000	(989,011)	Negotiation	Mr. Annas Bilal	Third party
Simplex Machine FL-16 Toyoda	691,966	517,996	173,970	412,500	238,530	Negotiation	Mr. Bilal	Third party
	38,085,940	**24,426,598**	**13,659,342**	**2,710,000**	**(10,949,342)**			
Office equipments								
Various assets having net book value upto Rs. 500,000 each	644,696	308,572	336,124	457,000	120,876	Negotiation		
Electric Fitting & Installation								
Various assets having net book value upto Rs. 500,000 each	791,934	281,006	510,928	473,800	(37,128)	Negotiation		
2020	**39,522,570**	**25,016,176**	**14,506,394**	**3,640,800**	**(10,865,594)**			
2019	140,764,151	88,411,080	52,353,071	17,866,130	(34,486,940)			

		Note	2020 Rupees	2019 Rupees
17.3	**Capital work-in-progress - *cost***			
	Balance as at 01 July		**481,928,078**	309,659,613
	Additions during the year		**2,137,258,792**	2,712,083,509
	Transfers during the year	17.1.2	**(2,317,145,194)**	(2,539,815,044)
	Balance as at 30 June	17.3.1	**302,041,676**	481,928,078
17.3.1	**Breakup of capital work-in-progress:**			
	Factory building on free hold land			
	Material and expenses		**22,477,370**	106,641,634
	Advance payments		**14,617,445**	34,211,429
			37,094,815	140,853,063
	Non-factory building on free hold land -			
	Material and expenses		**40,850,055**	40,429,390
	Plant and machinery			
	Cost and expenses		**7,636,595**	3,335,277
	Advance payments		**38,634,615**	14,066,590
	Letters of credit		**171,883,925**	257,521,850
			218,155,135	274,923,717
	Electric fittings and Installations - Advance payments		**993,019**	18,637,945
	Tools, laboratory equipment and arms - Cost and expenses		**385,600**	385,600
	Office equipment - Advance payments		**798,778**	1,458,975
	Furniture - Advance payments		**128,287**	-
	Vehicles - Advance payments		**3,635,987**	5,239,388
			302,041,676	481,928,078

18 Long term investments

	Note	2020 Rupees	2019 Rupees
Investment in related parties :			
At fair value through OCI			
Fatima Fertilizer Company Limited - quoted	18.1	**1,683,830,449**	1,880,371,825
Multan Real Estate (Private) Limited	18.2	**33,358,054**	30,381,647
		1,717,188,503	1,910,753,472
Subsidiary company - at cost			
Fazal Weaving Mills Limited	18.3	**250,000,000**	250,000,000
Associated companies - at cost			
Fatima Energy Limited - unquoted		**1,498,201,774**	1,374,213,490
Fatima Transmission Company Limited - unquoted		**55,200,000**	55,200,000
Fatima Electric Company Limited - unquoted		**70,000**	70,000
	18.4	**1,553,471,774**	1,429,483,490
		3,520,660,277	3,590,236,962

18.1 At fair value through OCI

	Note	Shares 30 June 2020	Shares 30 June 2019	Market value 30 June 2020	Market value 30 June 2019	Market value per share 30 June 2020	Market value per share 30 June 2019	Percentage of holding 30 June 2020	Percentage of holding 30 June 2019
		--Number--		--Rupees--		--Rupees--			
Fatima Fertilizer Company Limited - quoted	*18.1.1*	**62,994,031**	62,994,031	**1,683,830,449**	**1,880,371,825**	**26.73**	29.85	**3.00%**	3.00%

18.1.1 The investment in Fatima Fertilizer Company Limited '(FFCL)' has been designated as fair value through OCI under IFRS 9. FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Company does not have significant influence on FFCL.

18.2 This represents 9.96% ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity. The latest valuation was based on present market value of property of MREPL.

18.3 This represent investment in Fazal Weaving Mills Limited ('FWML'), set up to carry business of textile spinning. The Company, being sponsor of FWML, holds 100% of equity share of FWML, which commenced its commercial operations on 01 April 2014.

18.4 Associated companies - at cost

	Note	Shares 30 June 2020	Shares 30 June 2019	Carrying value 30 June 2020	Carrying value 30 June 2019	Percentage of holding 30 June 2020	Percentage of holding 30 June 2019
		--Number--		--Rupees--			
Fatima Energy Limited - unquoted	*18.4.1*	**108,300,000**	137,421,349	**1,083,000,000**	1,374,213,490	**19.00%**	24.11%
Impact of discounting	*19.2*	**-**	-	**415,201,774**	-		
		108,300,000	137,421,349	**1,498,201,774**	1,374,213,490		
Fatima Transmission Company Limited - unquoted		**5,520,000**	5,520,000	**55,200,000**	55,200,000	**24.00%**	24.00%
Fatima Electric Company Limited - unquoted		**7,000**	7,000	**70,000**	70,000	**20.00%**	20.00%
		113,827,000	142,948,349	**1,553,471,774**	1,429,483,490		

18.4.1 Fatima Energy Limited (FEL), was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Act, 2017. The principal activity of FEL is to operate and maintain a co-generation power plant of 120 MW. FEL is subsidiary of Fatima Holding Limited, which holds 51.59% shares of FEL.

On 16 June 2020, 29.12 million shares (5.11%) were sold to an independent third party at par value. The Company's investment is less than 20% but it is considered to be an associate as per the requirements of IAS - 28 "Investments in Associates" because the Company has significant influence over its financial and operating policies through representation on the Board.

18.4.2 Fatima Transmission Company Limited (FTCL), was incorporated in Pakistan on December 26, 2014 as a public limited company under the Companies Act, 2017. The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power.

18.4.3 Fatima Electric Company Limited (FECL) was incorporated in Pakistan on February 29, 2016 as a public limited company under the Companies Act, 2017. The principal activity of FECL is to carry on supplying, generating, distributing and dealing in electricity and all forms of energy and power generated by any source.

	Note	2020 Rupees	2019 Rupees
19 Long term loan and advances			
Long term loan to subsidiary			
Fazal Weaving Mills Limited	*19.1*	**530,000,000**	530,000,000
Long term advance to associates			
Fatima Energy Limited	*19.2*	**2,635,370,514**	1,840,408,522
Pak Arab Energy Limited	*19.3*	**25,904,160**	25,904,160
Fatima Transmission Company Limited	*19.3*	**72,427,033**	38,811,585
		2,733,701,707	1,905,124,267
		3,263,701,707	2,435,124,267

19.1 It represents loan disbursed to finance capital expenditure as well as to meet working capital requirements thereof. It carries mark-up at weighted average borrowing cost of the Company. During the year mark up charged at the rates ranging from 9.36% to 14.81% per annum (2019: 8.03% to 13.79% per annum) . It is subordinated to the extent of Rs. 530 million to all the financing facilities obtained by FWML from MCB Bank Limited, Allied Bank Limited, Faysal Bank Limited, Soneri Bank Limited, Askari Bank Limited, United Bank Limited, Meezan Bank Limited, Bank Al-Falah Limited, Habib Bank Limited and The Bank of Punjab.

	Note	2020 Rupees	2019 Rupees
19.2 Fatima Energy Limited			
Long term advance to associates	*19.3*	**2,497,908,522**	1,840,408,522
Mark-up accrued (interest free)		**552,663,766**	-
Less: impact of discounting		**(415,201,774)**	-
Balance as at 30 June	*19.2.1*	**2,635,370,514**	1,840,408,522

19.2.1 Pursuant to restructuring of FEL's borrowings with financial institutions along with related subordination of borrowings from sponsors, the Company has entered into an restructuring agreement with FEL for rescheduling the repayment of principal and related markup as approved by the Board of Directors of both the companies. As per the revised agreement, principal and markup accrued are subordinated and are now repayable from financial year 2026. Accordingly, markup accrued from FEL uptil 30 June 2020 has been classified as non-current. The loan and related markup (interest free) have been measured at fair value by discounting the cash flows at the rate of average borrowing cost of the Company (8.94%) and the resulting adjustment has been included in the cost of investment as referred to in note 18.4.

19.3 These represents loans disbursed to meet the working capital requirements, operational/ capital nature needs of the associated companies. These loans carries markup at the rate of average borrowing cost of the Company. Effective markup rate charged by the Company during the year ranges from 9.86% to 15.31% per annum (2019: 8.53% to 14.29% per annum). As per the agreements, these loans are repayable within 10 years from the date of disbursement starting from financial year 2022.

19.4 Maximum outstanding balance with reference to month end balances:

	2020	2019	**2020**	2019
	Month	Month	**Rupees**	Rupees
Fazal Weaving Mills Limited	**Jul-19**	Jul-18	**530,000,000**	530,000,000
Pak Arab Energy Limited	**Jul-19**	Jul-18	**25,904,160**	25,904,160
Fatima Transmission Company Limited	**Feb-20**	Jan-19	**72,427,033**	38,811,585
Fatima Energy Limited	**Jun-20**	Jun-19	**2,497,908,522**	1,840,408,522

	Note	**2020 Rupees**	2019 Rupees
20 Stores, spares and loose tools			
Stores		**124,727,720**	145,842,592
Spares[In-transit: Rs. 94.77 million (2019: 107.20 million)		**521,369,877**	520,717,034
Loose tools		**282,713**	557,825
		646,380,310	667,117,451
Provision for slow moving items		**(1,770,316)**	(1,770,316)
		644,609,994	665,347,135
21 Stock-in-trade			
Raw material [In-transits: Rs. 672.30 million million (2019: Rs 959.23 million)]		**7,147,961,207**	8,868,937,561
Work-in-process		**382,761,015**	358,479,339
Finished goods			
Yarn	*21.1*	**3,507,851,213**	1,172,513,220
Fabric		**805,338,028**	542,110,000
		4,313,189,241	1,714,623,220
		11,843,911,463	10,942,040,120

21.1 An amount of Rs. 28 million (2019: Rs. Nil) has been charged in the statement of profit or loss, on closing stock of yarn, as an adjustment of net realizable value (NRV) in accordance with the requirements of IAS 2.

			2020	2019
22	**Trade debts**	*Note*	Rupees	Rupees
	Export debtors - secured against letters of credit:			
	Considered good		**1,737,407,751**	2,266,901,086
	Local debtors - unsecured			
	Related parties - considered good	*22.1 & 22.3*	**235,786,179**	271,224,138
	Others - considered good		**2,853,978,311**	2,894,262,434
	Others - considered doubtful		**38,383,303**	27,367,951
			3,128,147,793	3,192,854,523
	Allowance for impairment of trade debts	*22.4*	**(38,383,303)**	(27,367,951)
			4,827,172,241	5,432,387,658

22.1 Trade debts due from following related parties on account of trading activities.

	2020	2019
	Rupees	Rupees
Fazal Weaving Mills Limited	**-**	84,890,583
Fazal Rehman Fabrics Limited	**229,620,344**	163,631,802
Reliance Weaving Mills Limited	**6,165,835**	814,194
Ahmad Fine Textile Mills Limited	**-**	17,473,005
Fatima Fertilizer Company Limited	**-**	4,414,554
	235,786,179	271,224,138

22.2 Maximum outstanding balance with reference to month end balances:

	2020	2019	**2020**	2019
	Month	Month	**Rupees**	Rupees
Fazal Weaving Mills Limited	**Dec-19**	Feb-19	**258,559,430**	1,222,471,202
Fazal Rehman Fabrics Limited	**Apr-20**	Aug-18	**930,701,299**	359,350,000
Reliance Weaving Mills Limited	**Jun-20**	Nov-18	**5,717,484**	12,490,000
Ahmad Fine Textile Mills Limited	**Jun-20**	Jun-19	**78,470,324**	197,940,000
Fatima Fertilizer Company Limited	**Jul-19**	Jul-18	**4,414,554**	4,414,554

22.3 The ageing analysis of trade debts from related parties is as follows:

Not yet due	**129,108,729**	250,008,532
1 to 30 days	**106,636,829**	16,801,052
30 to 150 days	**40,621**	-
150 days and above	**-**	4,414,554
	235,786,179	271,224,138

22.4 The movement in allowance for impairment of trade debts is as follows:

	2020 Rupees	2019 Rupees
Balance as at 01 July	**27,367,951**	8,856,467
Loss allowance for the year	**11,015,352**	18,511,484
Balance as at 30 June	**38,383,303**	27,367,951

23 Loans and advances	*Note*	2020 Rupees	2019 Rupees
Subsidiary company - Considered good			
Advance to Fazal Weaving Mills Limited - unsecured	*23.1*	**1,011,328,507**	484,090,787
Others - Considered good			
Advances to suppliers and contractors - unsecured	*23.2*	**155,122,946**	76,230,248
Advances to employees against salaries - secured		**1,179,435**	1,235,964
LC deposits for imports		**8,874,841**	6,337,316
		1,176,505,729	567,894,315

23.1 This represents interest free advance given to Fazal Weaving Mills Limited for meeting working capital requirement. The maximum outstanding balance with reference to month end balances is 1,011.33 million in the month of June 2020 (2019: 484.09 million in the month of Jun 2019).

23.2 These are interest free in the normal course of business.

24 Deposits, prepayments and other receivable	*Note*	2020 Rupees	2019 Rupees
Deposits against LC margin		**13,162,153**	9,812,086
Prepayments		**-**	56,456,765
Import claim receivable from supplier		**40,542,433**	30,503,739
Duty drawback receivable	*24.1*	**250,928,805**	253,514,577
Dividend receivable - Fatima Fertilizer Company Limited		**138,228,062**	-
Other receivable		**2,311,516**	1,962,319
		445,172,969	352,249,486

24.1 This represents Duty Drawback receivable on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters which was applicable till 30 June 2018.

			2020	2019
25	**Mark-up accrued**	*Note*	Rupees	Rupees
	Mark-up accrued on:			
	Subsidiary Company - *FWML*		**104,004,415**	31,772,990
	Associated Companies - *FEL*		**552,663,766**	244,624,415
	Associated Companies - *others*		**29,338,656**	16,705,475
	Transferred to long term loans			
	and advances - *FEL*	*19.2*	**(552,663,766)**	-
		25.1	**133,343,071**	293,102,880

25.1 Mark-up is accrued on the basis as described in note 19 of these unconsolidated financial statements.

		2020	2019
26	**Short term investment**	**Rupees**	Rupees
	Investment at fair value through profit or loss		
	Fatima Fertilizer Company Limited - quoted		
	6,120,000 (2019: 6,120,000) fully paid		
	ordinary shares of Rs. 10 each		
	Equity held 0.29% (2019: 0.29%)	**163,587,600**	182,682,000

26.1 Movement in short term investment at fair value through profit or loss is as follows :

	2020 Rupees	2019 Rupees
Market value as at 01 July	**182,682,000**	198,288,000
Unrealized fair value loss on re-measurement of investments	**(19,094,400)**	(15,606,000)
Market value as at 30 June	**163,587,600**	182,682,000

26.2 FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through profit or loss. The Company does not have significant influence on FFCL.

			2020	2019
27	**Tax refunds due from the Government - net**	*Note*	**Rupees**	Rupees
	Sales tax		**210,340,374**	758,190,405
	Income tax - net		**49,303,582**	272,404,722
			259,643,956	1,030,595,127
28	**Cash and bank balances**			
	Cash in hand		**12,567,362**	17,947,352
	Cash at banks			
	- Current accounts		**236,983,694**	142,616,639
	- Saving accounts	*28.1*	**50,133**	2,509
			237,033,827	142,619,148
			249,601,189	160,566,500

28.1 Rate of interest and mark up on saving accounts ranges from 10.00% to 11.65% (2019: 4.44% to 10.06%) per annum.

29 Revenue - *net*	*Note*	**2020 Rupees**	2019 Rupees
Local:			
Yarn		**20,416,179,092**	22,032,770,676
Fabric		**6,532,181,844**	5,493,361,895
Waste		**457,205,804**	429,083,648
Comber noil		**108,917,183**	193,783,503
		27,514,483,923	28,148,999,722
Cotton and other products		**109,250,568**	13,548,878
		27,623,734,491	28,162,548,600
Less:			
Sales return		**156,040,558**	57,723,758
Sales tax	*29.1*	**4,131,891,158**	96,648,941
		4,287,931,716	154,372,699
Net local sales		**23,335,802,775**	28,008,175,901
Indirect export:			
Yarn		**2,623,481,266**	1,447,529,966
Fabric		**15,139,723**	-
		2,638,620,989	1,447,529,966
Less: Sales tax on SPO sales		**136,202,691**	-
	29.2	**2,502,418,298**	1,447,529,966
Export:			
Yarn		**7,153,987,384**	5,338,771,011
Fabric		**1,245,451,118**	1,329,769,177
Comber noil		**178,371,800**	216,850,480
		8,577,810,302	6,885,390,668
Revenue from contracts with customers		**34,416,031,375**	36,341,096,535

29.1 Effective from 01 July 2019, all local textile products which were previously charged sales tax at 0% have now been subject to sales tax at 17%. Further tax at the rate of 1% was charged till 30 June 2019 on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017 which has been withdrawn through Finance Act, 2019 by restoring standard rate of sales tax.

29.2 It includes sales made to direct exporters against Standard Purchase Order (SPOs) amounting to Rs. 937.39 million (2019: Rs Nil) and Duty and Tax Remission for Exports ("DTRE") to a related party under S.R.O 185(I)/ 2001 dated 21 March 2001, amounting to Rs. 1,701.22 million (2019: Rs. 1,447.53 million).

	Note	2020 Rupees	2019 Rupees
30 Cost of sales			
Raw material consumed	*30.1*	**22,943,062,375**	21,692,633,687
Packing material consumed		**415,978,430**	379,244,282
Salaries, wages and benefits	*30.2*	**1,877,240,790**	1,938,213,258
Freight outward charges	*30.3*	**239,895,425**	193,644,606
Travelling and conveyance		**11,661,749**	18,023,052
Power and fuel		**2,959,402,480**	2,809,666,937
Stores and spares consumed		**806,134,743**	621,643,845
Repair and maintenance		**46,713,040**	42,412,266
Vehicle running and maintenance		**17,928,570**	10,935,795
Insurance		**74,563,685**	67,390,202
Processing charges		**9,413,278**	876,047
Depreciation on property, plant and equipment	*17.1.1*	**1,041,368,956**	960,534,100
Others		**2,388,059**	2,236,237
		30,445,751,580	28,737,454,314
Work-in-process :			
Balance at 01 July		**358,479,339**	315,152,028
Balance at 30 June		**(382,761,015)**	(358,479,339)
		(24,281,676)	(43,327,311)
Cost of goods manufactured		**30,421,469,904**	28,694,127,003
Finished goods :			
Balance at 01 July		**1,714,623,220**	1,757,373,131
Finished goods purchased		**2,399,264,579**	3,235,032,309
Balance at 30 June		**(4,313,189,241)**	(1,714,623,220)
		(199,301,442)	3,277,782,220
Cost of goods sold		**30,222,168,462**	31,971,909,223
Cost of raw material sold		**92,451,979**	37,643,829
		30,314,620,441	32,009,553,052

30.1 Raw material consumed

	Note	2020 Rupees	2019 Rupees
Raw material as at 01 July		**8,868,937,561**	6,051,925,399
Purchases and expenses		**20,637,631,539**	23,830,187,852
Transfer from ginning unit	*30.1.1*	**584,454,482**	679,457,997
		21,222,086,021	24,509,645,849
Available for consumption		**30,091,023,582**	30,561,571,248

	2020 Rupees	2019 Rupees
Raw material as at 30 June	**(6,475,663,137)**	(7,909,705,168)
Stock-in-transit	**(672,298,070)**	(959,232,393)
	(7,147,961,207)	(8,868,937,561)
	22,943,062,375	21,692,633,687

30.1.1 Production cost of ginning unit - *net*

	2020	2019
Raw material purchased and consumed	**746,701,340**	832,263,565
Power and fuel	**5,934,313**	5,811,536
Lease charges	**1,250,000**	1,250,000
Salaries, wages and benefits	**7,554,501**	7,384,714
Travelling and conveyance	**425,119**	1,563,547
Repair and maintenance	**1,679,335**	1,430,022
Store consumption	**1,523,800**	1,669,441
Utilities	**45,158**	80,993
Entertainment	**714,995**	1,026,814
Rent, rate and taxes	**916,308**	213,650
Printing and stationery	**54,100**	44,200
Communication	**24,000**	25,910
Insurance	**974,588**	624,055
Others	**164,536**	249,732
	767,962,093	853,638,179
Sale of cotton seed	**(183,507,611)**	(174,180,182)
Transferred to raw material consumed	**584,454,482**	679,457,997

30.1.2 The Company has acquired a cotton ginning factory from Hussain Ginneries Limited 'an associated undertaking' on lease renewable annually. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Company as raw material cost.

30.2 These include Rs. 116.25 million (2019: Rs. 110.40 million) in respect of staff retirement benefits.

30.3 This includes freight on export sales amounting to Rs. 194.56 million (2019: Rs. 151.45 million) and freight on local sales amounting to Rs. 45.33 million (2019: Rs. 42.19 million).

31	Selling and distribution expenses	Note	2020 Rupees	2019 Rupees
	Export sales:			
	Export development surcharge		**21,807,700**	19,606,926
	Insurance		**2,663,998**	512,336
	Commission		**180,414,713**	101,564,883
	Local sales:			
	Insurance		**4,185,724**	3,501,349
	Salaries and benefits - *marketing staff*	*31.1*	**29,114,478**	22,463,401
	Commission		**86,330,093**	75,606,110
			324,516,706	223,255,005

31.1 These include Rs. 1.84 million (2019: Rs. 2.09 million) in respect of staff retirement benefits.

32	Administrative expenses	Note	2020 Rupees	2019 Rupees
	Salaries and benefits	*32.1*	**131,533,771**	129,508,325
	Traveling and conveyance	*32.2*	**8,678,604**	10,403,570
	Vehicle running and maintenance		**25,529,127**	24,651,608
	Rent, rates, taxes and fees		**16,791,739**	17,276,982
	Electricity, gas and water		**7,361,617**	4,863,243
	Entertainment/ guest house expenses		**15,636,947**	18,073,464
	Communication		**12,250,888**	12,360,296
	Printing and stationery		**9,138,641**	7,556,466
	Insurance		**5,191,608**	5,501,253
	Repair and maintenance		**18,528,131**	18,260,925
	Subscription/ advertisement		**1,076,875**	2,538,506
	Auditors' remuneration	*32.3*	**2,400,000**	1,779,855
	Legal and professional charges		**7,513,753**	7,734,522
	Depreciation on property, plant and equipment	*17.1.1*	**37,528,351**	31,031,902
	Others		**7,365,622**	15,599,897
			306,525,674	307,140,814

32.1 These include Rs. 7.95 million (2019: Rs. 12.42 million) in respect of staff retirement benefits.

32.2 These include Directors' traveling expense of Rs. 0.10 million (2019: Rs. 0.27 million).

32.3	Auditors' remuneration	Note	2020 Rupees	2019 Rupees
	Fee for statutory audit		**1,600,000**	1,100,000
	Six month review		**550,000**	500,000
	Other certifications		**-**	-
	Out of pocket expenses		**250,000**	179,855
			2,400,000	1,779,855

33 Other expenses

	Note	2020 Rupees	2019 Rupees
Workers' Profit participation fund	*13.3*	**51,639,012**	118,818,402
Workers welfare fund	*13.4*	**12,365,783**	21,766,333
Loss on disposal of property, plant and equipment	*17.2*	**10,865,594**	34,486,940
Allowance for impairment of trade debts	*22.4*	**11,015,352**	18,511,484
Unrealized loss on re-measurement of short term investments at fair value through profit or loss	*26.1*	**19,094,400**	15,606,000
Donations	*33.1*	**15,423,457**	12,090,266
Exchange loss - net	*33.2*	**376,236,757**	-
Sales tax receivable written off		**-**	7,742,484
		496,640,355	229,021,909

33.1 Donations for the year have been given to:

	Note	2020 Rupees	2019 Rupees
Fazal Rehman Foundation Multan	*33.1.1*	**2,652,600**	3,290,070
Friends of Cardiology Foundation Multan	*33.1.2*	**4,228,650**	2,599,571
Taary Zameen Par	*33.1.2*	**456,400**	100,000
All Pakistan Textile Mills Association	*33.1.3*	**1,800,000**	-
S.O.S Children Village Multan		**840,000**	840,000
Al-Noor Special Children School Multan		**600,000**	450,000
Punjab Social Security Health Management Company Hospital Muzaffargarh		**-**	950,000
Others	*33.1.4*	**4,845,807**	3,860,625
		15,423,457	12,090,266

33.1.1 Mr. Rehman Naseem Ahmad (Chief Executive Officer) and Mr. Naseem Ahmad (Chairman) are amongst the trustees of the Fazal Rehman Foundation.

33.1.2 Mr. Rehman Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Friends of Cardiology Foundation Multan and Mr. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

33.1.3 Donations paid to All Pakistan Textile Mills Association for COVID-19.

33.1.4 Others' includes donations paid to various institutions. The aggregate amount paid during the year to a single institution is not exceeding 0.5 million.

33.2 Breakup of exchange loss is as follows:

	2020	
	Realized	**Unrealized**
Imports	**5,991,062**	**3,644,362**
Exports	**83,336,543**	**(61,050,072)**
Forward contracts	**14,643,449**	**19,575,000**
Foreign currency export finance	**26,770,749**	**283,325,664**
	130,741,803	**245,494,954**

		Note	2020 Rupees	2019 Rupees
34	**Other income**			
	Income from financial assets			
	Mark-up on loan to subsidiary	*19.1*	**72,231,424**	56,558,694
	Mark-up on advance to associated undertaking	*19.2*	**320,672,533**	179,990,832
	Dividend income	*34.1*	**138,228,062**	120,949,554
	Exchange gain - *net*		**-**	318,161,859
			531,132,019	675,660,939
	From non-financial assets			
	Scrap sales		**16,188,346**	10,621,936
			547,320,365	686,282,875

34.1 This represent annual dividend for the year ended 31 December 2019 declared by Fatima Fertilizer Limited 'an associated undertaking'.

		Note	2020 Rupees	2019 Rupees
35	**Finance cost**			
	Mark-up based loans from conventional banks:			
	- Long term financing - *secured*		**961,595,068**	657,508,069
	- Short term borrowings - *secured*		**981,893,222**	816,106,720
			1,943,488,290	1,473,614,789
	Islamic mode of financing:			
	- Musharika - *secured*		**387,800,319**	203,428,202
	- Short term borrowings - *secured*		**126,012,760**	124,957,279
			513,813,079	328,385,481
	Bank charges		**62,552,165**	81,017,143
	Interest on workers' profit participation fund	*13.3*	**28,223,440**	11,216,147
	Markup on lease liability		**10,236,151**	-
			2,558,313,125	1,894,233,560

			2020 Rupees	2019 Rupees
36	**Taxation**			
	Current			
	- *for the year*		**483,827,921**	351,849,972
	- *prior year*		**-**	(37,466,665)
			483,827,921	314,383,307
	Deferred			
	- *for the year*		**78,189,793**	534,289,002
			562,017,714	848,672,309

36.1 The tax provision is charged by considering the provision of section 113, 154 and other tax credits available under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Company's tax liability in respect of income arising from such source.

36.2 Numerical reconciliation between tax expense and accounting profit:

	2020 Rupees	2019 Rupees
Profit before tax	**962,735,439**	2,364,175,070
Applicable tax rate	**29%**	29%
Tax at the applicable tax rate	**279,193,277**	685,610,770
Tax effect of amounts that are:		
- Change in proration rate and tax rate	**6,437,988**	227,577,324
- Prior year adjustment	**-**	(37,466,665)
- Minimum tax and final tax regime	**271,803,388**	35,769,907
- Permanent differences	**4,583,061**	6,691,231
- Tax credits under section 65B	**-**	(107,619,742)
- Super tax under section 4B	**-**	38,109,484
Tax charged to statement of profit or loss	**562,017,714**	848,672,309

37 Earnings per share - *basic and diluted*

37.1 Basic earnings per share

Profit after taxation	***Rupees***	**400,717,725**	1,515,502,761
Weighted average number of ordinary shares	***No. of shares***	**30,000,000**	30,000,000
Earnings per share	***Rupees***	**13.36**	50.52

37.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Company has no such commitments.

38 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	Financial assets at amortized cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2020	Rupees								
Financial assets - measured at fair value									
Short term investment	-	163,587,600	-	-	163,587,600	163,587,600	-	-	163,587,600
Long term investments	-	-	1,717,188,503	-	1,717,188,503	1,683,830,449	-	33,358,054	1,717,188,503
Financial assets - not measured at fair value									
Trade debts	4,827,172,241	-	-	-	4,827,172,241	-	-	-	-
Cash and bank balances	249,601,189	-	-	-	249,601,189	-	-	-	-
Long term deposits	24,128,493	-	-	-	24,128,493	-	-	-	-
Other receivable	178,770,495	-	-	-	178,770,495	-	-	-	-
Loan and advances	1,011,328,507	-	-	-	1,011,328,507	-	-	-	-
Mark-up accrued	133,343,071	-	-	-	133,343,071	-	-	-	-
Long term advances to associates	3,263,701,707	-	-	-	3,263,701,707	-	-	-	-
	9,688,045,703	163,587,600	1,717,188,503	-	11,568,821,806	1,847,418,049	-	33,358,054	1,880,776,103
Financial liabilities - not measured at fair value									
Long term financing - secured	-	-	-	11,471,549,608	11,471,549,608	-	-	-	-
Long term musharika - secured	-	-	-	2,892,663,333	2,892,663,333	-	-	-	-
Trade and other payables	-	-	-	2,431,711,026	2,431,711,026	-	-	-	-
Lease liability	-	-	-	71,173,118	71,173,118	-	-	-	-
Unclaimed dividend	-	-	-	13,748,423	13,748,423	-	-	-	-
Short term borrowings - secured	-	-	-	9,224,750,985	9,224,750,985	-	-	-	-
Accrued mark-up	-	-	-	451,749,186	451,749,186	-	-	-	-
	-	-	-	26,557,345,679	26,557,345,679	-	-	-	-

	Carrying amount					Fair value			
	Financial assets at amortized cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>As at 30 June 2019</u>	----------	----------	----------	----------	Rupees	----------	----------	----------	----------
Financial assets - measured at fair value									
Short term investment	-	182,682,000	-	-	182,682,000	182,682,000	-	-	182,682,000
Long term investments	-	-	1,910,753,472	-	1,910,753,472	1,880,371,825	-	30,381,647	1,910,753,472
Financial assets - not measured at fair value									
Trade debts	5,432,387,658	-	-	-	5,432,387,658	-	-	-	-
Cash and bank balances	160,566,500	-	-	-	160,566,500	-	-	-	-
Long term deposits	24,071,493	-	-	-	24,071,493	-	-	-	-
Other receivable	30,503,739	-	-	-	30,503,739	-	-	-	-
Loan and advances	484,090,787	-	-	-	484,090,787	-	-	-	-
Mark-up accrued	293,102,880	-	-	-	293,102,880	-	-	-	-
Long term advances to associates	2,435,124,267	-	-	-	2,435,124,267	-	-	-	-
	8,859,847,324	182,682,000	1,910,753,472	-	10,953,282,796	2,063,053,825	-	30,381,647	2,093,435,472
Financial liabilities - not measured at fair value									
Long term financing - secured	-	-	-	9,650,863,463	9,650,863,463	-	-	-	-
Long term musharika - secured	-	-	-	2,161,250,000	2,161,250,000	-	-	-	-
Trade and other payables	-	-	-	2,545,885,033	2,545,885,033	-	-	-	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-	-	-	-
Short term borrowings - secured	-	-	-	9,910,552,807	9,910,552,807	-	-	-	-
Accrued mark-up	-	-	-	406,891,427	406,891,427	-	-	-	-
	-	-	-	24,687,782,811	24,687,782,811	-	-	-	-

39 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

39.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company’s risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 11,556.25 million (2019: Rs. 10,935.34 million) are subject to credit risk.

Exposure to credit risk

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

	2020 Rupees	2019 Rupees
Financial assets at FVOCI		
Long term investments	**1,717,188,503**	1,910,753,472
Financial assets at FVTPL		
Short term investment	**163,587,600**	182,682,000
Financial assets at amortized cost		
Long term loan and advances	**3,263,701,707**	2,435,124,267
Loan and advances	**1,011,328,507**	484,090,787
Trade debts	**4,827,172,241**	5,432,387,658
Deposits and other receivables	**178,770,495**	30,503,739
Mark-up accrued	**133,343,071**	293,102,880
Long term deposits	**24,128,493**	24,071,493
Bank balances	**237,033,827**	142,619,148
	9,675,478,341	8,841,899,972
	11,556,254,444	10,935,335,444

39.2 (a) Other financial assets

The credit quality of Company's investments can be assessed with reference to external credit rating agencies as follows:

	Rating	2020 Rupees	2019 Rupees
Financial assets at FVOCI			
Fatima Fertilizers Company Limited	AA-	**1,683,830,449**	1,880,371,825
Multan Real Estate (Private) Limited	N/A	**33,358,054**	30,381,647
Financial assets at FVTPL			
Fatima Fertilizers Company Limited	A1+	**163,587,600**	182,682,000
		1,880,776,103	2,093,435,472

39.2 (b) Counterparties with external credit rating

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Bank	Rating Short term	Rating Long term	Rating agency	2020 Rupees	2019 Rupees
Allied Bank Limited	A-1+	AAA	PACRA	**-**	4,812,202
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**3,419,505**	28,976,281
MCB Bank Limited	A-1+	AAA	PACRA	**5,029,309**	24,537,922
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**29,672,702**	-
UBL Bank Limited	A-1+	AAA	JCR-VIS	**2,107,218**	1,375,615
Standard Chartered Bank Pakistan Limited	A-1+	AAA	PACRA	**1,470,476**	1,060,501
Habib Bank Limited	A-1+	AAA	JCR-VIS	**23,153,934**	3,286,965
Soneri Bank Limited	A-1+	AA-	PACRA	**87,075**	766,849
Bank Al Falah Limited	A-1+	AA+	PACRA	**21,934,619**	12,853,302
Askari Bank Limited	A-1+	AA+	PACRA	**7,555,700**	48,407,314
The Bank of Punjab	A-1+	AA	PACRA	**111,214,388**	4,033,469
The Bank of Khyber	A-1	A	PACRA	**789,998**	1,040,995
Bank Al Habib Limited	A-1+	AA+	PACRA	**2,024,628**	768,966
Bank Islamic Limited	A-1	A+	PACRA	**2,323,669**	1,303,839
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	**1,724,895**	988,927
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	**148,720**	-
Faysal Bank Limited	A-1+	AA	PACRA	**12,410,263**	2,478,252
Samba Bank Limited	A-1	AA	JCR-VIS	**660**	660
Silk Bank Limited	A-2	A-	JCR-VIS	**73,295**	73,295
AlBaraka Bank Pakistan Limited	A-1	A	PACRA	**8,200,572**	-
Summit Bank Limited	Not available	Not available	JCR-VIS	**819,180**	2,198,234
JS Bank Limited	A-1+	AA-	PACRA	**2,873,021**	3,655,560
				237,033,827	142,619,148

39.2 (c) Counterparties without external credit rating

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. The Company applies the simplified approach under IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used two years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 4,865.56 million (2019: Rs. 5,459.76 million), Rs. 1,737.41 million (2019: Rs. 2,266.90 million) are secured. The Company is exposed to credit risk. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 was determined as follows:

The aging of trade debts at the reporting date is:	2020 Gross carrying amount	2020 Loss Allowance	2019 Gross carrying amount	2019 Loss Allowance
	Rupees		Rupees	
Export debtors - secured				
Not past due	**1,737,407,751**	**-**	2,266,901,086	-
Local debtors				
Not past due	**2,315,717,347**	**911,720**	2,807,771,050	3,314,233
Past due				
1- 90 days	**602,364,177**	**579,731**	321,336,618	69,138
91 - 180 days	**145,172,887**	**2,690,433**	35,010,536	1,662
181 - 270 days	**19,766,630**	**6,540,475**	3,656,243	1,638,028
271 - 360 above days	**19,766,630**	**8,239,971**	2,742,182	2,571,284
360 above days	**25,360,122**	**19,420,973**	22,337,894	19,773,606
	4,865,555,544	**38,383,303**	5,459,755,609	27,367,951

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer's receivables are regularly monitored and shipments to the export customers are generally covered by letters of credit or other form of credit insurance.

Credit risk on loans and advances and markup accrued from associated companies are measured under general approach and with respect to external credit ratings of the holding company.

39.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

39.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations/ commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	Weighted average effective rate of interest	2020					
		Carrying value	**Contractual cash flows**	**Less than one year**	**One to five years**	**Above five years**	**Total**
		Rupees					
Financial liabilities							
Long term financing -secured	**1.50% to 16.22%**	**14,364,212,941**	**17,198,045,037**	**1,706,882,936**	**11,399,684,613**	**4,091,477,488**	**17,198,045,037**
Short term borrowings - secured	**1.88% to 15.18%**	**9,224,750,985**	**9,367,363,006**	**9,367,363,006**	**-**	**-**	**9,367,363,006**
Trade and other payables		**2,431,711,026**	**2,412,781,777**	**2,412,781,777**	**-**	**-**	**2,412,781,777**
Lease liability		**71,173,118**	**162,788,885**	**8,784,600**	**58,993,945**	**95,010,340**	**162,788,885**
Unclaimed dividend		**13,748,423**	**13,748,422**	**13,748,422**	**-**	**-**	**13,748,422**
Accrued markup		**451,749,186**	**451,749,185**	**451,749,185**	**-**	**-**	**451,749,185**
		26,557,345,679	**29,606,476,312**	**13,961,309,926**	**11,458,678,558**	**4,186,487,828**	**29,606,476,312**

	Weighted average effective rate of interest	2019					
		Carrying value	Contractual cash flows	Less than one year	One to five years	Above five years	Total
		Rupees					
Financial liabilities							
Long term financing -secured	2.50% to 14.03%	11,812,113,463	14,934,044,503	3,163,893,044	8,964,402,927	2,805,748,532	14,934,044,503
Short term borrowings - secured	6.36% to 14.30%	9,910,552,807	10,114,120,662	10,114,120,662	-	-	10,114,120,662
Trade and other payables		2,545,885,033	2,700,306,045	2,700,306,045	-	-	2,700,306,045
Unclaimed dividend		12,340,081	12,340,081	12,340,081	-	-	12,340,081
Accrued markup		406,891,427	406,891,427	406,891,427	-	-	406,891,427
		24,687,782,811	28,167,702,718	16,397,551,259	8,964,402,927	2,805,748,532	28,167,702,718

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount

39.5 Market risk

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

39.5.1 Currency risk

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprises of:

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

The Company’s exposure to foreign currency risk at the reporting date is as follows:

	2020	2019
	Rupees	Rupees
Statement of financial position items		
Finance against imported merchandise	**-**	1,828,936,369
Foreign currency export finance (USD: 20,995,406)	**3,542,974,780**	-
Foreign debtors	**(1,737,407,751)**	(2,266,901,086)
Gross exposure	**1,805,567,029**	(437,964,717)
Off statement of financial position items		
Outstanding letters of credit	**1,519,509,924**	1,828,935,441
Commitments in respect of foreign exchange forward contracts	**506,250,000**	-
Net exposure	**3,831,326,953**	1,390,970,724

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		Spot rate	
	2020	2019	**2020**	2019
	------------ **Rupees** ------------		------------ **Rupees** ------------	
USD to Rupee	**158.21**	140.89	**168.05**	160.05

Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

Effect on profit or loss	**2020** **Rupees**	2019 Rupees
USD to Rupee	**383,132,695**	139,097,072

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

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

Currency risk management

Since the maximum amount exposed to currency risk is only 7.42% (2019: 3%) of the Company's total assets, any adverse/ favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

39.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

	2020	2019	**2020**	2019
39.5.2(a) Financial Instruments	**Effective rate (in Percentage)**		**Carrying amount (Rupees)**	
Financial liabilities				
Fixed rate instruments:				
Long term loan	**1.50 - 3.25**	2.50 - 3.25	**5,200,535,259**	4,259,424,335
Variable rate instruments:				
Long term loan	**7.89 - 16.22**	6.36 - 14.03	**9,163,677,682**	7,552,689,108
Short term borrowings	**1.88 - 15.18**	6.36 - 14.30	**9,224,750,985**	9,910,552,807
Financial assets				
Variable rate instruments:				
Loan to subsidiary company	**9.36 - 14.81**	8.03 - 13.79	**530,000,000**	530,000,000
Advance to associated company	**9.86 - 15.31**	8.53 - 14.29	**2,733,701,707**	1,905,124,267
Saving accounts	**10.00 - 11.65**	4.44 - 10.06	**50,133**	2,509

39.5.2(b) Fair value sensitivity analysis for fixed rate instruments

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

39.5.2(c) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	- - - - - - - - Rupees - - - - - - - -	
As at 30 June 2020	**151,246,768**	**(151,246,768)**
As at 30 June 2019	150,281,151	(150,281,151)

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

39.5.2(d) Interest rate risk management

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

39.5.3 Other price risk

Other price risk is 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). The Company is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position at fair value through profit or loss and fair value through OCI. To manage its price risk arising from investments in equity securities, the Company diversifies it's portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Company’s equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company’s equity investment portfolio.

	2020			
	Fair value	**Price change**	**Estimated fair value after change in prices**	**Increase (decrease) in profit or (loss)/ equity**
	-----Rupees-----			
Financial assets at fair value through profit or loss	**163,587,600**	**10% increase**	**179,946,360**	**16,358,760**
		10% decrease	**147,228,840**	**(16,358,760)**
Financial assets at fair value at through OCI	**1,717,188,503**	**10% increase**	**1,888,907,353**	**171,718,850**
		10% decrease	**1,545,469,653**	**(171,718,850)**
	1,880,776,103			

	2019			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	-----Rupees-----			
Financial assets at fair value through profit or loss	182,682,000	10% increase	200,950,200	18,268,200
		10% decrease	164,413,800	(18,268,200)
Financial assets at fair value at through OCI	1,910,753,472	10% increase	2,101,828,819	191,075,347
		10% decrease	1,719,678,125	(191,075,347)
	2,093,435,472			

39.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

40 Capital management

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

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. 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.

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

40.1 Gearing ratio as at 30 June 2020 and as at 30 June 2019 are as follows:

	2020 **Rupees**	2019 Rupees
Total debt	**23,588,963,926**	21,722,666,270
Total equity including revaluation surplus	**20,842,155,710**	20,930,097,336
Total capital employed	**44,431,119,636**	42,652,763,606
Gearing ratio	**53%**	51%

Total debt comprises of long term financing from conventional banks, long term musharika including current portion of long term borrowings and short term borrowings.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance.

41 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020						
	Long term financing	Long term musharika	Short term borrowing	Lease liability	Unclaimed dividend	Accrued markup	Total
	---------- Rupees ----------						
As at 01 July 2019	9,650,863,463	2,161,250,000	9,910,552,807	-	12,340,081	406,891,427	**22,141,897,778**
Changes from financing cash flows							
Proceeds from short term borrowings - net	-	-	(685,801,822)	-	-	-	**(685,801,822)**
Financial charges paid - net	-	-	-	-	-	(2,503,219,215)	**(2,503,219,215)**
Proceeds from long term financing	3,006,825,712	1,000,000,000	-	-	-	-	**4,006,825,712**
Long term financing repaid	(1,186,139,567)	(268,586,667)	-	-	-	-	**(1,454,726,234)**
Lease rentals paid	-	-	-	(7,986,000)	-	-	**(7,986,000)**
Dividend paid	-	-	-	-	(313,591,658)	-	**(313,591,658)**
Total changes from financing cash flows	**1,820,686,145**	**731,413,333**	**(685,801,822)**	**(7,986,000)**	**(313,591,658)**	**(2,503,219,215)**	**(958,499,217)**
Other changes							
Finance cost	-	-	-	10,236,151	-	2,548,076,974	**2,558,313,125**
Recognized during the year	-	-	-	68,922,967	-	-	**68,922,967**
Dividend declared	-	-	-	-	315,000,000	-	**315,000,000**
Total liability related other changes	**-**	**-**	**-**	**79,159,118**	**315,000,000**	**2,548,076,974**	**2,942,236,092**
As at 30 June 2020	**11,471,549,608**	**2,892,663,333**	**9,224,750,985**	**71,173,118**	**13,748,423**	**451,749,186**	**24,125,634,653**

	2019						
	Long term financing	Long term musharika	Short term borrowing	Lease liability	Unclaimed dividend	Accrued markup	Total
	----------	----------	----------	Rupees	----------	----------	----------
As at 01 July 2018	8,552,607,107	1,378,750,000	7,953,052,718	-	8,971,945	275,093,224	18,168,474,994
Changes from financing cash flows							
Proceeds from short term borrowings - net	-	-	1,957,500,089	-	-	-	1,957,500,089
Financial charges paid - net	-	-	-	-	-	(1,762,435,357)	(1,762,435,357)
Proceeds from long term financing	2,608,778,944	1,100,000,000	-	-	-	-	3,708,778,944
Long term financing repaid	(1,510,522,588)	(317,500,000)	-	-	-	-	(1,828,022,588)
Dividend paid	-	-	-	-	(251,631,864)	-	(251,631,864)
Total changes from financing cash flows	1,098,256,356	782,500,000	1,957,500,089	-	(251,631,864)	(1,762,435,357)	1,824,189,224
Other changes							
Finance cost	-	-	-	-	-	1,894,233,560	1,894,233,560
Dividend declared	-	-	-	-	255,000,000	-	255,000,000
Total liability related other changes	-	-	-	-	255,000,000	1,894,233,560	2,149,233,560
As at 30 June 2019	9,650,863,463	2,161,250,000	9,910,552,807	-	12,340,081	406,891,427	22,141,897,778

42 Remuneration of Chief Executive Officer, Non-Executive Directors, Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	2020					2019				
	Chief Executive Officer	**Non-Executive Directors**	**Executive Director**	**Executives**	**Total**	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total
	Rupees					Rupees				
Managerial remuneration	**-**	**-**	**5,539,255**	**55,179,023**	**60,718,278**	1,760,374	-	5,365,006	44,450,526	51,575,906
House rent and utilities	**170,041**	**-**	**-**	**9,250,507**	**9,420,548**	76,984	-	-	7,317,613	7,394,597
Medical	**115,618**	**-**	**-**	**5,479,845**	**5,595,463**	177,965	-	-	4,335,499	4,513,464
Conveyance/ petrol	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Insurance	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
	285,659	**-**	**5,539,255**	**69,909,375**	**75,734,289**	2,015,323	-	5,365,006	56,103,638	63,483,967
Numbers	**1**	**7**	**2**	**25**	**35**	1	4	1	21	27

42.1 In addition to above Non-Executive Directors were paid Rs. 0.03 million (2019: Rs. Nil) as meeting fee.

42.2 Chief Executive Officer, Directors and some of the Executives are also provided with Company maintained cars and telephones at their residences for the Company's business purposes.

42.3 These include Rs. 3.28 million (2019: Rs. 9.92 million) in respect of staff retirement benefits.

43 Number of employees

	2020	2019
	(Number)	
Total number of employees as at 30 June	**4,897**	4,627
Average number of employees during the year	**4,762**	4,778

44 Related party transactions and balances

The related parties comprise of subsidiary, associated companies, directors of the Company and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

	Name of parties	Relationship	Basis of Relationship	2020 Rupees	2019 Rupees
a)	**Fazal Weaving Mills Limited**	Related party	Wholly owned subsidiary		
	Sale of goods			**57,802,329**	2,296,623,357
	Purchase of goods			**1,856,748,195**	2,370,581,096
	Payments against purchase of goods - net			**1,681,830,203**	563,561,518
	Short term loans and advances - net			**527,237,720**	484,090,787
	Mark-up on loan			**72,231,425**	56,558,694
b)	**Fatima Fertilizer Company Limited**	Related party	Common Directorship and 3.29 % (2019: 3.29%) of shareholding		
	Dividend income			**138,228,062**	120,949,554
	Reimbursable expenses			**-**	1,473,212
c)	**Fatima Energy Limited**	Related party	19% shareholding in associate (2019: 24.11%)		
	Long term advance			**657,500,000**	782,807,121
	Mark-up accrued on long term loans and advance			**308,039,351**	173,555,460
	Purchase of goods			**512,800,558**	4,036,058
	Payments against purchase of goods - net			**491,600,653**	9,815,884
d)	**Reliance Weaving Mills Limited**	Related party	Common Directorship		
	Sale of goods			**14,261,680**	31,338,100
	Receipts against sale of goods - net			**8,910,039**	33,667,003
e)	**Ahmed Fine Textile Mills Limited**	Related party	Common Directorship		
	Sale of goods			**50,531,609**	191,606,043
	Purchase of goods			**1,317,124,310**	634,952,247
	Purchase of fixed assets			**12,012,477**	-
	Payment against sale of goods - net			**1,016,544,533**	525,744,880
	Reimbursable expenses			**1,832,659**	2,500,000

	Name of parties	Relationship	Basis of Relationship	2020 Rupees	2019 Rupees
f)	**Fazal-ur-Rehman Foundation, Multan**	Related party	Common Directorship		
	Donations			**2,652,600**	3,290,070
g)	**Fazal Rehman Fabrics Limited**	Related party	Common Directorship		
	Sale of goods			**3,622,277,251**	2,944,431,269
	Purchase of goods			**102,250,471**	37,993,304
	Purchase of fixed assets			**15,795,000**	-
	Receipts against sale of goods - *net*			**3,438,243,238**	2,739,302,125
h)	**Hussain Ginneries Limited**	Related party	Common Directorship		
	Expenses incurred on behalf of associate			**1,261,550**	1,981,757
	Payments against expenses			**1,250,000**	2,294,652
i)	**Fazal Farm (Private) Limited**	Related party	Common Directorship		
	Purchase of goods			**5,243,324**	4,040,976
	Payments against purchase of goods - net			**7,007,860**	2,222,337
j)	**Fatima Sugar Mills Limited**	Related party	Common Directorship		
	Payments against expenses			**-**	2,600,000
	Reimbursable expenses			**-**	4,835
k)	**Fatima Transmission Company Limited**	Related party	Common Directorship		
	Long term advance			**33,615,448**	15,490,795
	Mark-up accrued on long term advance			**8,973,115**	3,541,501
l)	**Pak Arab Energy Limited**	Related party	Common Directorship		
	Mark-up accrued on long term advance			**3,660,066**	2,893,871
m)	**Friends of Cardiology Foundation Multan**	Related party	Common Directorship/ Trustees		
	Donations			**4,228,650**	3,266,775
n)	**Taary Zameen Par Trust**	Related party	Common Directorship/ Trustees		
	Donations			**456,400**	100,000

All transactions with related parties have been carried out on commercial terms and conditions except due from subsidiary on account of non trading activities.

45 Geographical information

The Company operates in one principal geographical area. The Company's gross revenue from external customers by geographical location is detailed below:

	Note	2020 Rupees	2019 Rupees
Domestic Sales	*29*	**23,335,802,775**	28,008,175,901
Export Sales	*45.1*	**11,080,228,600**	8,332,920,634
		34,416,031,375	36,341,096,535

45.1 Country wise export sales are as under

	Note	2020 Rupees	2019 Rupees
China		**3,898,574,570**	2,388,368,664
United States of America		**1,456,297,858**	1,512,493,143
Portugal		**534,109,599**	752,736,085
Turkey		**889,946,627**	255,953,798
Hong Kong		**203,899,162**	110,058,482
Germany		**509,143,261**	467,451,117
Singapore		**-**	157,481,663
Taiwan		**89,336,583**	3,176,335
Japan		**148,917,240**	58,133,368
Italy		**226,994,664**	185,329,846
Malaysia		**66,134,136**	-
Bangladesh		**36,664,916**	75,736,954
Belgium		**80,082,041**	38,304,358
Poland		**34,564,262**	137,007,707
Colombia		**183,437,658**	143,031,096
Others		**219,707,725**	600,128,052
Indirect exports	*29.2*	**2,502,418,298**	1,447,529,966
		11,080,228,600	8,332,920,634

45.1.1 All export sales during the year other than indirect are secured against letter of credit.

46 Capacity and production

Spinning:	**2020**	2019
Number of spindles installed	**212,964**	198,804
Number of rotors and MVS spindles installed	**4,548**	4,572
Number of shifts worked		
Unit I, II, III and IV	**1,067**	1,094

		2020	2019
Number of spindles - *shifts worked*		**227,232,588**	217,491,576
Capacity at 20's count	*Kgs.*	**96,894,658**	91,321,605
Actual production of all counts	*Kgs.*	**77,084,963**	73,298,412
Actual production converted into 20's count	*Kgs.*	**96,725,078**	95,307,424

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

		2020	2019
Weaving:			
Number of looms installed		**224**	224
Number of looms worked		**224**	224
Number of shifts worked		**1,067**	1,094
Standard cloth production	Mtr.	**46,985,843**	48,678,153
Actual cloth production	Mtr.	**43,537,082**	45,104,690

It is difficult to describe precisely the production capacity in weaving mills since it fluctuates widely depending on various factors such as count of yarn weaved, loom speed, reed change and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

The utilization of available capacity below standard capacity of weaving is mainly due to normal maintenance.

47 Non adjusting event after statement of financial position date

The Board of Directors of the Company in their meeting held on 29 October 2020 has proposed a final cash dividend of Rs. nil per share (2019: Rs. 10.5 per share) for the year ended 30 June 2020 held for approval of the members in the Annual General Meeting to be held on 26 November 2020.

48 Date of authorization for issue

These financial statements were authorized for issue on 29 October 2020 by the Board of Directors of the Company.

49 General

49.1 Figures have been rounded off to the nearest Rupee, except stated otherwise.

49.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

(MUHAMMAD AZAM) CHIEF FINANCIAL OFFICER	(REHMAN NASEEM) CHIEF EXECUTIVE OFFICER	(SHEIKH NASEEM AHMAD) DIRECTOR

Fazal Cloth Mills Limited (The Group)

Consolidated Financial Statements

for the year ended 30 June 2020

Directors Report

The Directors are pleased to present their report of Fazal Cloth Mills Limited (The Holding Company) and its subsidiary company (together referred as the Group) for the year ended 30 June 2020 along with the financial statements and auditors' report thereon.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Profit after tax of the Group decreased to Rupees 55.78 million during the year ended 30 June 2020 as compared to Rupees 1,541.74 million during the last year. The main reasons for decrease in the profit of the Group were decrease in sales, exchange loss on foreign currency, and increase in finance cost. Sales decreased and Rupee unexpectedly devalued against the US $ due to the Covid-19 pandemic. Finance costs remained high due to very high interest rates that prevailed during the year.

Following is a summary of the key financial numbers:

Financial Highlights- Consolidated Financial Statements.	2020	2019	Increase / (decrease)
	Rupees in ('000')	Rupees in ('000')	% age
Sales – net	39,713,735	40,913,729	-2.93%
Cost of sales	35,152,501	35,898,945	-2.08%
Gross profit	4,561,234	5,014,784	-9.04%
EBITDA	4,867,278	6,040,033	19.42%
Depreciation	1,239,352	1,158,717	6.96%
Finance cost	2,944,788	2,334,040	26.17%
Other income	537,125	823,057	-34.74%
Profit before tax	683,139	2,547,275	-73.18%
Profit after tax	55,780	1,541,741	-96.38%
EPS	1.86	51.39	-96.38%

FUTURE OUTLOOK

Future outlook appears promising, albeit uncertain, for the textile sector as a whole and your Group in particular. Demand for textile products remains strong in the domestic and international markets. With the grace of Allah, Pakistan has faced the Covid-19 pandemic without a heavy loss of life or widespread sickness. As a result domestic economy has recovered at a quick pace with a classic V shaped recovery. Timely and well-designed policy measures by SBP and GOP have ensured sufficient liquidity in the market. High prices for agricultural commodities have increased rural income resulting in improved demand for textile products. Retailers preference to buy from countries other than China has improved demand for Pakistani textile products resulting in an increase in exports as well. Due to a competitive exchange rate, regionally competitive energy prices and sharp reduction in interest rate, prices of textile products from Pakistan remain internationally competitive. As a result, your management expects better performance and higher profitability in the current year.

Unfortunately, the cotton crop in Pakistan has failed again this year. Market expects total crop to be only 7 million whereas consumption is 15 million per year. In spite of being an agricultural country, lack of research and regulatory issues have hindered development of a good quality cotton seed. As a result, cotton crop has gone from bad to worse. It is high time that GOP took notice of this situation and formulate a policy to restore cotton production in Pakistan. Without a healthy crop, long term viability of textile industry and exports from Pakistan will remain challenged.

QUALIFICATION IN REPORT OF AUDIT TO CONSOLIDATED FINANCIAL STATEMENTS

Auditors issued a qualified opinion in report on the audit of consolidated financial statements. Qualified opinion and the Board's view is narrated below;

Qualified Opinion	Board's View
As stated in note 19.4 to the consolidated financial statements, the Group's investment in Fatima Energy limited ("FEL"), an associate and accounted for by the equity method, is carried at Rs. 853.70 million on the consolidated statement of financial position as at 30 June 2020 and Group's share of FEL's net loss of Rs. 111.28 is included in the consolidated statement of profit or loss for the year then ended. There was considerable delay in preparation of management accounts and audit was in process at the time of finalization of this consolidated financial statements. Hence, because of timing constraints we were unable to obtain sufficient appropriate audit evidence about the carrying value of Group's investment in FEL as at 30 June 2020 and the Group's share of the FEL's net loss for the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.	Para 33 of International Accounting Standard 28 investments in *Associates and Joint Ventures* allows to use most recent available financial statements of the associate while applying equity method. Audit of financial statements of associated company i-e Fatima Energy limited was finalized subsequent to date of approval of financial statements of the group. The financial results of the associates, as reported in their unaudited financial statements as at 30 June 2020, have been included in the financial statements of the Group.

Dated: **October 29, 2020**

For and on behalf of the Board

(Amir Naseem Sheikh)
Director

(RehmanNaseem)
Chief Executive Officer

ڈائریکٹرز کی رپورٹ

ڈائریکٹران بخوشی فضل کلاتھ ملزلمیٹڈ (ہولڈنگ کمپنی) اوراسکی ذیلی کمپنی (مشترکہ حیثیت میں گروپ) کی رپورٹ پیش کرتے ہیں جوکہ برائے سال اختتام پذیر30 جون2020 جسکےہمراہ مالیاتی گوشوارہ اور پڑتال کنندگان کی رپورٹ بھی شامل ہے۔

مالیاتی جائزہ

ٹیکس کی کٹوتی کے بعد منافع میں کمی دیکھی گئی جوکہ موجودہ سال جو30 جون 2020 کواختتام پذیر ہوا مبلغ 55.78 ملین رہا جوکہ پچھلے سال مبلغ 1,541.74 ملین تھا۔ گروپ کے منافع میں کمی کی اصل وجہ سیلز میں کمی، بیرونی کرنسیوں میں تبدیلی کے نقصانات اور مالیات پرصرف ہونے والی لاگت میں اضافہ ہے۔ سیلز میں کمی ہوئی اورروپے کی قدرڈالر کے مقابلے میں غیرمتوقع انداز میں کم ہوئی۔ مالیات پر اٹھنے والی لاگت زیادہ رہی کیونکہ اس سال شرح منافع زیادہ تھی۔

ذیل میں مالیتی احوال سے متعلق اعدادوشمار دکھائے گئے ہیں۔

مالیاتی سرخیاں مستحکم مالیاتی اعدادوشمار	2020 روپیہ بطور(000)	2019 روپیہ بطور(000)	اضافہ/کمی فیصد
اصل فروخت	39,713,835	40,913,735	-2.93%
فروخت پر لاگت	35,152,501	35,898,945	-2.08%
کل منافع	4,561,234	5,014,784	-9.04%
صافی آمدن	4,867,278	6,040,033	19.42%
شکستگی	1,239,352	1,158,717	6.96%
لاگت مالیات	2,944,788	2,334,040	26.17%
دیگر آمدن	537,125	823,057	-34.74%
صافی منافع	683,139	2,547,275	-73.18%
منافع بعداز ٹیکس	55,780	1,541,741	-96.38%
آمدن فی حصہ	1.86	51.39	-96.38%

مستقبل پر نظر

مستقبل کے بارے میں اگرچہ پرامید ہیں لیکن غیریقینی صورتحال ٹیکسٹائل کے شعبہ کے لیےکلی طور پراورگروپ کے لیے خاص طور پرموجود ہے۔ صنعتی اور گھریلو دونوں طرف سے ٹیکسٹائل مصنوعات کی طلب میں تیزی ہے۔ اللہ کے فضل وکرم سے پاکستان نے کرونا کی وباء کا بغیرکسی بڑے جانی نقصان یا بیماری کے بڑے پھیلاؤ کے بغیر مقابلہ کیا ہے۔ جسکے نتیجے میں اندرونی معاشی حالت بڑی تیزی سے اسی نہج پر پہنچ گئی ہے جہاں اسے ہونا چاہیے تھا۔ حکومت پاکستان اوراسٹیٹ بینک آف پاکستان کی بروقت اوراچھی پالیسیوں کی بدولت مارکیٹ میں لیکویڈیٹی کویقینی بنایا گیا۔ زرعی اشیاء کی زیادہ قیمتوں کی وجہ سے دیہی آمدن میں اضافہ ہوا جسکے نتیجے میں ٹیکسٹائل مصنوعات کی مانگ میں بھی اضافہ ہوا۔ تاجروں کے چین کے مقابلے میں ملکی اشیاء

کو ترجیح دینے کی وجہ سے پاکستانی ٹیکسٹائل مصنوعات کی مانگ میں اضافہ ہوا جسکے نتیجے میں برآمدات میں بھی اضافہ ہوا۔ مقابلے کے ایکسچینج ریٹ، توانائی کی علاقائی تقابلی قیمتوں، منافع میں زبردست کمی کی وجہ سے پاکستانی ٹیکسٹائل مصنوعات کی قیمتیں بین الاقوامی طور پر مقابلے کی رہیں۔ جسکے نتیجے میں آپ کی انتظامیہ اس سال بہتر کارکردگی اور زیادہ منافع کی امید رکھتی ہے۔

بدقسمتی سے، پاکستان میں کپاس کی فصل اس سال ناکام رہی۔ مارکیٹ کو کل پیداوار 7 ملین تک ہونے کی توقع ہے جبکہ کھپت 15 ملین سالانہ ہے۔ ایک زرعی ملک ہونے کے باوجود تحقیق کی کمی اور انتظامی مسائل کی وجہ سے اچھی کوالٹی کے بیج کی تیاری نہیں ہوسکی۔ جسکی وجہ سے کپاس کی فصل بد سے بدتر ہوچکی ہے۔ یہ وقت کی اہم ضرورت ہے کہ حکومت پاکستان اس صورتحال کا نوٹس لیتے ہوئے ایک حکمت عملی تیار کرے تاکہ پاکستان میں کپاس کی فصل کی پیداوار بڑھائی جاسکے۔ اچھی فصل کے بغیر ٹیکسٹائل انڈسٹری کی عملداری اور پاکستانی برآمدت کو ایک للکار کا سامنا رہے گا۔

کوالیفائیڈ رائے

جیسا کہ حسابات کے نوٹ نمبر 19.4 میں بتایا گیا ہے کہ گروپ کی فاطمہ انرجی لمیٹیڈ، اسوسی ایٹ، کے حصص میں سرمایہ کاری کی لاگت **853.70** ملین روپے ہے اور گروپ کا فاطمہ انرجی لمیٹیڈ کے سالانہ نقصان میں حصہ 111.28 ملین روپے ہے۔ مالی حسابات کی تیاری میں ایک خاطرخواہ دیر ہوئی اور انکی تکمیل کے وقت آڈٹ زیر تکمیل تھا۔ جس کی وجہ سے ہم آڈیٹرز گروپ کی فاطمہ انرجی لمیٹیڈ میں سرمایہ کاری کی لاگت اور سالانہ نقصان میں حصہ سے متعلق خاطرخواہ شہادت حاصل نہیں کر سکے جس کی وجہ سے اس میں کوئی کمی پیشی ہے تو اسکا اندازہ نہیں لگایا جاسکتا۔

بورڈ کا آڈیٹرز کی رائے پر نظریہ

عالمی اکاؤنٹنگ سٹنڈرڈز نمبر 28 ایسوسی ایٹ میں سرمایہ کاری سے متعلق ہے۔ اسکا پیرا نمبر 33 اس بات کی اجازت دیتا ہے کہ گروپ کا مالی حسابات میں ایسوسی ایٹ کمپنی کے تازہ ترین حسابات کو شامل کیا جاسکتا ہے۔ جب ایسوسی ایٹ کا حصہ ایکوٹی طریقہ کار سے متعین کیا جارہا ہو۔ ایسوسی ایٹ کمپنیز کے **30** جون **2020** کے آڈٹ شدہ مالی حسابات کی تکمیل گروپ کے مالی حسابات کی منظوری کے بعد ہوئی۔ ایسوسی ایٹ کے مالی نتائج جو کہ غیر آڈٹ شدہ مالی حسابات میں شامل کیئے گئے۔

بتاریخ: **29** اکتوبر **2020**

بورڈ کی طرف سے

رحمان نسیم
چیف ایگزیکٹو آفیسر

شیخ نسیم احمد
چیئرمین

INDEPENDENT AUDITOR'S REPORT

To the members of Fazal Cloth Mills Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the annexed consolidated financial statements of **Fazal Cloth Mills Limited and its subsidiary (the Group),** which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

As stated in note 19.4 to the consolidated financial statements, the Group's investment in Fatima Energy Limited ("FEL"), an associate and accounted for by the equity method, is carried at Rs. 853.70 million on the consolidated statement of financial position as at 30 June 2020 and Group's share of FEL's net loss of Rs. 111.28 is included in the consolidated statement of profit or loss for the year then ended. There was a considerable delay in preparation of management accounts and audit was in process at the time of finalization of these consolidated financial statements. Hence, because of timing constraints we were unable to obtain sufficient appropriate audit evidence about the carrying value of Group's investment in FEL as at 30 June 2020 and the Group's share of the FEL's net loss for the year then ended. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Sr. No.	Key audit matters	How the matter was addressed in our audit
01	**Revenue** Refer to notes 4.16 and 30 to the consolidated financial statements. The Group recognized revenue of Rs. 39,713.73 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to a risk that revenue is recognized without transferring the control.	Our audit procedures to assess recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recording of revenue and testing the design, implementation and operating effectiveness of key internal controls; • assessing the appropriateness of the Group's accounting policies for recording of revenue and compliance of those policies with applicable accounting standards; • comparing a sample of revenue transactions recorded during the year with revenue orders, revenue invoices, delivery challans and other relevant underlying documents; • comparing a sample of revenue transactions recorded around the year with the revenue orders, revenue invoices, delivery challans and other relevant underlying documentation to assess if the revenue was recorded in the appropriate accounting period; • comparing, on a sample basis, specific revenue transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and • scanning for any manual journal entries relating to revenue raised during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation.
02	**Capitalization of property, plant and equipment** Refer notes 4.3 and 18 to the consolidated financial statements. The Group has made significant capital expenditure on expansion of manufacturing facilities. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following: • understanding the design and implementation of management controls over capitalization and testing control over authorization of capital expenditure and accuracy of its recording in the system; • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.

Sr. No.	Key audit matters	How the matter was addressed in our audit
03	**Impairment testing of investment in associate** Refer note 4.2.2, 4.13.4 and 19 to the consolidated financial statements. Long term investments in associates includes investment of Rs. 1,268.91 million in Fatima Energy Limited, an unquoted associated undertaking. As at 30 June 2020, management conducted an impairment test to assess the recoverability of the carrying value of investment in the associate. The management has determined recoverable amount of investment based on higher of 'fair value less costs of disposal' and 'value in use'. The 'fair value less costs of disposal' has been determined by the management based on valuation report prepared by an external expert. Value in use has been determined by the management using income approach. Since the recoverable amount of the investment worked out in both instances is higher than its carrying value, therefore, no impairment loss has been recognized. We identified assessing the carrying value of investment in associate as a key audit matter because significant degree of management judgment involved in assessing its recoverable amount.	Our audit procedures, amongst others, included the following: • assessing the appropriateness of the methodology applied by the management for impairment testing of investment in associate with applicable accounting and reporting standards; • involving our internal valuation specialist to assist us in assessing the significant assumptions and judgments applied by management in its business plan, including discount rate, projected growth rates, future revenue and costs and production volumes, with reference to available market information; • performing independently, a sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in key assumptions; • obtaining an understanding of the work performed by the management's expert for determining the fair value less cost of disposal; • evaluating the valuer's competence, capability and objectivity and assessing the appropriateness of methodology adopted by the professional valuer engaged by the management; and • involving our own expert having required professional qualification, independence, competence and experience to assess the working of management's expert.

Information Other than the financial statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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

KPMG Taseer Hadi & Co.

Lahore

Date: 02 November 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES	Note	2020 Rupees	2019 Rupees Restated
Share capital and reserves			
Authorized share capital		**700,000,000**	700,000,000
Issued, subscribed and paid-up capital	6	**300,000,000**	300,000,000
Capital reserves:			
- Others capital reserves	7	**1,179,978,846**	1,373,543,815
- Revaluation surplus on property, plant and equipment	8	**9,243,287,786**	9,558,609,807
Unappropriated profits - revenue reserve		**10,551,674,934**	10,476,717,528
		21,274,941,566	21,708,871,150
Non-current liabilities			
Long term financing - *secured*	9	**11,632,970,065**	8,755,286,862
Long term musharika - *secured*	10	**2,627,600,636**	1,690,100,636
Lease liability - *unsecured*	11	**71,173,118**	-
Deferred liabilities:			
- *Staff retirement benefit*	12	**291,766,604**	273,812,115
- *Deferred taxation*	12	**3,125,765,394**	3,039,211,159
- *Deferred grant*	9	**19,534,423**	-
		17,768,810,240	13,758,410,772
Current liabilities			
Current portion of non-current liabilities	13	**1,010,564,898**	2,517,786,016
Trade and other payables	14	**3,668,520,905**	3,786,286,553
Unclaimed dividend		**13,748,423**	12,340,081
Short term borrowings - *secured*	15	**11,537,224,217**	12,299,901,368
Accrued mark-up	16	**517,191,250**	481,255,957
		16,747,249,693	19,097,569,975
Contingencies and commitments	17		
		55,791,001,499	54,564,851,897

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

(MUHAMMAD AZAM)	**(REHMAN NASEEM)**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**

As at 30 June 2020

ASSETS	*Note*	**2020 Rupees**	2019 Rupees *Restated*
Non-current assets			
Property, plant and equipment	*18*	**28,196,702,854**	27,229,288,197
Long term investments	*19*	**3,012,163,185**	3,132,354,011
Long term advance to associates	*20*	**2,733,701,707**	1,905,124,267
Long term deposits		**24,128,493**	24,071,493
		33,966,696,239	32,290,837,968
Current assets			
Stores, spares and loose tools	*21*	**699,438,449**	761,761,480
Stock-in-trade	*22*	**14,503,842,642**	13,033,292,318
Trade debts	*23*	**5,145,580,847**	6,132,305,095
Loans and advances	*24*	**204,530,174**	92,746,164
Deposits, prepayments and other receivables	*25*	**465,434,760**	374,669,526
Mark-up accrued - *associated companies*	*26*	**29,338,656**	261,329,890
Short term investment	*27*	**163,587,600**	182,682,000
Tax refunds due from the Government - *net*	*28*	**313,703,112**	1,235,751,418
Cash and bank balances	*29*	**298,849,020**	199,476,038
		21,824,305,260	22,274,013,929
		55,791,001,499	54,564,851,897

(SHEIKH NASEEM AHMAD)
DIRECTOR

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	**2020 Rupees**	2019 Rupees *Restated*
Revenue - Net	*30*	**39,713,734,936**	40,913,728,848
Cost of sales	*31*	**(35,152,501,339)**	(35,898,944,866)
Gross profit		**4,561,233,597**	5,014,783,982
Selling and distribution expenses	*32*	**(382,342,002)**	(261,769,648)
Administrative expenses	*33*	**(346,003,681)**	(338,040,294)
Other expenses	*34*	**(630,772,831)**	(246,549,267)
		(1,359,118,514)	(846,359,209)
Other income	*35*	**537,125,047**	823,057,309
Profit from operations		**3,739,240,130**	4,991,482,082
Share of loss from associates - *net*	*36*	**(111,313,794)**	(110,166,713)
Finance cost	*37*	**(2,944,787,794)**	(2,334,039,892)
Profit before taxation		**683,138,542**	2,547,275,477
Taxation			
- Group		**(627,358,059)**	(1,005,311,355)
- Associates		**-**	(223,259)
	38	**(627,358,059)**	(1,005,534,614)
Profit after taxation		**55,780,483**	1,541,740,863
Attributable to:			
Equity holders of the Holding Company		**55,780,483**	1,541,740,863
Earnings per share - *basic and diluted*	*39*	**1.86**	51.39

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

(MUHAMMAD AZAM)	**(REHMAN NASEEM)**	**(SHEIKH NASEEM AHMAD)**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 **Rupees**	2019 Rupees *Restated*
Profit after taxation	**55,780,483**	1,541,740,863
Other comprehensive (loss) / income - net of tax		
Items that will never be reclassified to statement of profit or loss:		
- Re-measurement of defined benefit liability	**25,354,285**	29,760,268
- Group's share in associate's defined benefit liability	**-**	454,715
- Net change in fair value of financial assets at FVOCI	**(193,564,969)**	(151,897,132)
Total comprehensive (loss) / income for the year	**(112,430,201)**	1,420,058,714
Attributable to:		
Equity holders of the Holding Company	**(112,430,201)**	1,420,058,714

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

(MUHAMMAD AZAM)	**(REHMAN NASEEM)**	**(SHEIKH NASEEM AHMAD)**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital	Capital reserves				Revenue reserve	Total
		Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	
	Rupees						
						Restated	
Balance as at 30 June 2018	300,000,000	77,616,000	175,000,000	1,272,824,947	10,139,599,548	8,818,046,544	20,783,087,039
Total comprehensive income for the year:							
Profit for the year 30 June 2019	-	-	-	-	-	1,541,740,863	1,541,740,863
Other comprehensive (loss)/ income for the year	-	-	-	(151,897,132)	-	30,214,983	(121,682,149)
	-	-	-	(151,897,132)	-	1,571,955,846	1,420,058,714
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - net of tax	-	-	-	-	(323,514,158)	323,514,158	-
Transfer from surplus on revaluation of fixed assets on disposal - net of tax	-	-	-	-	(18,200,980)	18,200,980	-
Effect on deferred tax due to change in tax rate and proration rate	-	-	-	-	(239,274,603)	-	(239,274,603)
Transactions with the owners of the Group:							
Final cash dividend @ Rs. 8.50 per ordinary share for the year ended 30 June 2018	-	-	-	-	-	(255,000,000)	(255,000,000)
Balance as at 30 June 2019	**300,000,000**	**77,616,000**	**175,000,000**	**1,120,927,815**	**9,558,609,807**	**10,476,717,528**	**21,708,871,150**

		Capital reserves				Revenue reserve	
	Share capital	Share premium	Capital redemption reserve	Fair value reserve	Revaluation surplus on property, plant and equipment	Un-appropriated profits	Total
	Rupees						
Balance as at 30 June 2019 - carried forward	300,000,000	77,616,000	175,000,000	1,120,927,815	9,558,609,807	10,476,717,528	21,708,871,150
Total comprehensive (loss) / income for the year:							
Profit for the year 30 June 2020	-	-	-	-	-	55,780,483	55,780,483
Other comprehensive (loss)/ income for the year	-	-	-	(193,564,969)	-	25,354,285	(168,210,684)
	-	-	-	(193,564,969)	-	81,134,768	(112,430,201)
Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the period - *net of tax*	-	-	-	-	(303,494,901)	303,494,901	-
Transfer from surplus on revaluation of fixed assets on disposal - *net of tax*	-	-	-	-	(5,327,737)	5,327,737	-
Effect on deferred tax due to change in proration rate	-	-	-	-	(6,499,383)	-	(6,499,383)
Transactions with the owners of the Group :							
Final cash dividend @ Rs. 10.50 per ordinary share for the year ended 30 June 2019	-	-	-	-	-	(315,000,000)	(315,000,000)
Balance as at 30 June 2020	300,000,000	77,616,000	175,000,000	927,362,846	9,243,287,786	10,551,674,934	21,274,941,566

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

(MUHAMMAD AZAM) **CHIEF FINANCIAL OFFICER**	**(REHMAN NASEEM)** **CHIEF EXECUTIVE OFFICER**	**(SHEIKH NASEEM AHMAD)** **DIRECTOR**

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 Rupees	2019 Rupees *Restated*
Cash flows from operating activities			
Profit before taxation		**683,138,542**	2,547,275,477
Adjustments for:			
Depreciation on property, plant and equipment	*18.1.1*	**1,239,352,068**	1,158,717,195
Unrealized loss on re-measurement of short term investment	*34*	**19,094,400**	15,606,000
Allowance for impairment of trade debts	*34*	**11,394,054**	20,087,317
Sales tax receivable written off		**-**	7,742,484
Provision for gratuity	*12.1.3*	**144,153,602**	143,181,585
Provision for infrastructure cess		**109,872,436**	96,855,414
Provision for workers' profit participation fund	*14.3*	**51,639,012**	133,481,782
Provision for workers' welfare fund	*14.4*	**12,365,783**	22,372,534
Loss on disposal of property, plant and equipment	*34*	**10,865,594**	34,501,680
Gain on disposal of equity instruments of associate	*35*	**(60,699,653)**	-
Dividend income	*35*	**(138,228,062)**	(120,949,554)
Share of loss from associates	*36*	**111,313,794**	110,166,713
Finance income	*35*	**(320,672,533)**	(179,990,832)
Finance cost	*37*	**2,944,787,794**	2,334,039,892
Cash generated from operations before working capital changes		**4,818,376,831**	6,323,087,687
Effect on cash flows due to working capital changes			
(Increase)/ decrease in current assets:			
Stores, spares and loose tools		**62,323,031**	(219,517,260)
Stock-in-trade		**(1,470,550,324)**	(2,675,954,615)
Trade debts		**975,330,194**	(914,634,125)
Loans and advances		**(111,784,010)**	71,821,241
Deposits, prepayments and other receivables		**47,462,828**	214,833,597
		(497,218,281)	(3,523,451,162)
(Decrease)/ increase in current liabilities:			
Trade and other payables		**(291,642,879)**	606,141,193
Cash generated from operations		**4,029,515,671**	3,405,777,718
Gratuity paid	*12.1.2*	**(100,844,828)**	(108,318,678)
Taxes refund/ (paid) - net		**374,745,100**	(536,097,948)
		273,900,272	(644,416,626)
Net cash generated from operating activities		**4,303,415,943**	2,761,361,092
Cash flows from investing activities			
Fixed capital expenditure		**(2,152,350,152)**	(2,734,976,051)
Proceeds from sale of equity instruments of associate		**291,213,490**	-
Proceeds from sale of property, plant and equipment		**3,640,800**	18,001,131
Long term loan and advances		**(691,115,448)**	(798,297,916)
Long term deposits		**(57,000)**	-
Dividend received		**-**	120,949,554
Net cash used in investing activities		**(2,548,668,310)**	(3,394,323,282)
Cash flows from financing activities			
Long term financing obtained		**3,048,399,042**	2,608,778,944
Long term financing repaid		**(1,449,705,329)**	(1,834,064,276)
Long term musharika obtained		**1,000,000,000**	1,100,000,000
Long term musharika repaid		**(271,197,205)**	(320,622,650)
Short term borrowings - *net*		**(762,677,151)**	1,571,344,756
Lease rentals paid		**(7,986,000)**	-
Finance cost paid - *net*		**(2,898,616,350)**	(2,175,664,174)
Dividend paid		**(313,591,658)**	(251,631,864)
Net cash (used in) / generated from financing activities		**(1,655,374,651)**	698,140,736
Net increase in cash and cash equivalents		**99,372,982**	65,178,546
Cash and cash equivalents at beginning of the year		**199,476,038**	134,297,492
Cash and cash equivalents at end of the year	*29*	**298,849,020**	199,476,038

The annexed notes from 1 to 52 form an integral part of these consolidated financial statements.

(MUHAMMAD AZAM)	(REHMAN NASEEM)	(SHEIKH NASEEM AHMAD)
CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE OFFICER	DIRECTOR

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

1 Corporate and general information

1.1 Reporting entity

The Group comprises of	Shareholding	Nature
- Fazal Cloth Mills Limited ('Holding Company')		Spinning and weaving
- Fazal Weaving Mills Limited ('Subsidiary Company')	100%	Spinning
Associated companies :		
- Fatima Energy Limited ('FEL')	19.00%	Energy generation
- Fatima Transmission Company Limited ('FTCL')	24.00%	Transmission of energy
- Fatima Electric Company Limited ('FECL')	20.00%	Supply, generation and distribution of energy

1.1.1 The Holding Company was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Holding Company are quoted on Pakistan Stock Exchange. The registered office of the Holding Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Holding Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

1.1.2 The Subsidiary Company was incorporated in Pakistan in 1989 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Subsidiary Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Subsidiary Company is engaged in the manufacture and sale of yarn. The manufacturing facility and warehouse of the Subsidiary Company is located at Mauza Khairabad, Qadir Pur Rawan By Pass, Khanewal Road, Multan in the province of Punjab. The Subsidiary Company commenced its commercial production on 01 April 2014.

1.2 Impact of COVID-19 on the consolidated financial statements

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. As per relaxation given by the authorities to export oriented entities, the Holding Company and the Subsidiary Company resumed its operations on 10 April 2020 with all precautionary measures to prevent the pandemic spread. There is no material financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses except for decrease in sales volume in the month of April and May 2020.

However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Group has availed deferments of principal repayments of certain long term loans and availed financing facility for payment of salaries and loans as explained in note 9.3 and 9.4 to these consolidated financial statements.

Based on management's assessment, considering demand from its customers, availability of raw material and measures taken by Government to support the industry, COVID-19 does not have a significant impact on the Group.

2 Basis of preparation

2.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2020 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2020. Details regarding the financial information of associated companies used in the preparation of these consolidated financial statements are given in note 19.4.1 to these consolidated financial statements.

2.2 Statement of compliance

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

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards ('IFAS') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision 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.

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, recognition of staff retirement benefits at present value and revaluation of certain financial instruments at fair values. The methods used to measure fair values are discussed further in their respective policy notes.

2.4 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupees ('Rs.') which is the Group's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

2.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and 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 from the basis of making the judgments 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 a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

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

2.5.1 Property, plant and equipment

The Group reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Group expects to derive from that item and the maximum period unto which the such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.5.2 Recoverable amount of assets/ cash generating units and impairment

The management of the Group reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.5.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three to five years.

2.5.4 Stores, spares, loose tools and stock-in-trade

The Group reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

2.5.5 Expected credit loss (ECL)/ Loss allowance against trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Group reviews the recoverability of its trade debts, other receivables, loan and advances, long term deposits, mark up accrued and bank balances to assess amount of loss allowance required on an annual basis.

2.5.6 Provisions and Contingencies

The Group reviews the status of all pending litigations and claims against the Group. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date. However, based on the best judgment of the Group and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

2.5.7 Employee benefits

The Group operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits respective of the qualifying period. The Projected Unit Credit method used for the valuation of the scheme is based on assumptions stated in note 12.1.

2.5.8 Taxation

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Group also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

3 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

3.1 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- 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). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks.

Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 01 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments and improvements does not have a material impact on the consolidated financial statements.

4 Summary of significant accounting policies

The significant accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, except as disclosed in note 4.1.

4.1 Changes in accounting policy

The Group has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from the annual period beginning on or after 01 January 2019.

The details of new significant accounting policies adopted and the nature and effect of the changes from previous accounting policies are set out below:

4.1.1 IFRS 16 - Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Group, as a lessee, has recognized right of use of assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

<u>As a lessee</u>

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

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Group has presented non-current and current portion of related lease liabilities in the statement of financial position considering their due dates for payment.

<u>Transition</u>

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under lAS 17.

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value items;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight when determining the lease term if the contract contains options to extend or term in ate the lease.

The Group has elected not to recognize right of use assets and liabilities for some leases of low value assets (Hussain Ginneries). The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

<u>Impact on consolidated financial statements</u>

The Group has applied IFRS 16 using the modified retrospective approach. On transition to IFRS 16, the Group recognized additional Rs. 68.92 million right of use asset and Rs. 68.92 million of lease liability. When measuring lease liability, the Group discounted lease payments using its incremental borrowing rate applicable at the time of initial application of the standard.

The result of initial application of lFRS 16 has been disclosed in note 18 and note 11 to these consolidated financial statements.

Also in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the year, the Group recognized Rs. 5.7 million of depreciation charge and Rs. 10.24 million of interest cost from this lease.

4.2 Basis of consolidation and equity accounting

4.2.1 Subsidiary Company

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Holding Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary company has been consolidated on a line-by-line basis and the carrying values of the investment held by the Holding Company has been eliminated against the shareholders' equity in the subsidiary company. The financial statement of the subsidiary are prepared for the same reporting year as of the Holding Company, using consistent accounting policies.

4.2.1.1 Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Holding Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. Since the Subsidiary Company is 100% owned by the Holding Company, no non-controlling interests is accounted for in these consolidated financial statements.

4.2.1.2 Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated profit or loss. In addition, any amount previously recognized in other comprehensive income in respect of that subsidiary are reclassified to the consolidated profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee, joint venture or as an available for sale financial asset depending on the level of influence retained.

4.2.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions are eliminated.

4.2.2 Associates

Associates are the entities over which the Group has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other factors e.g. Group's representation on the Board of Directors of investee Company, the Group can exercise significant influence. Investments in these associates are accounted for using the equity method of accounting and are initially recognized at cost. If the ownership interest is reduced but significant influence is retained, gain / loss on the partial disposal of ownership interest is recognized in the consolidated statement of profit or loss as the difference between the proceeds from the sale and the cost of investment sold. The cost of investment is disposed off on weighted average basis.

The Group's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the consolidated statement of profit or loss, consolidated statement of comprehensive income and reserves respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

4.3 Property, plant and equipment

Owned

Freehold land is measured at revalued amount less impairment if any.

Factory building',' non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and impairment if any.

Office equipment, furniture fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labor and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Group, at the rates specified in note 18.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in consolidated statement of profit or loss as incurred.

The assets' residual values and useful lives are continually reviewed by the Group and adjusted if impact on depreciation is significant. The Group's estimate of residual values of property, plant and equipment as at 30 June 2020 has not required any adjustment as its impact is considered insignificant.

Capital work-in-progress

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets if any, as stated in note 4.7. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

4.4 Revaluation surplus on property, plant and equipment

Revaluation of items of property, plant and equipment measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in consolidated statement of profit or loss, in which case the increase is credited to consolidated statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to consolidated statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Group's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax). Upon disposal, any revaluation surplus is transferred to unappropriated profit (net of deferred tax).

4.5 Lease

At the inception of a contract, the Group assesses whether a contract is or contains lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. Right of use asset is disclosed in the property, plant and equipment as referred to in 18.1 of the consolidated financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group has used it incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement, if there is change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in consolidated statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero. Refer note 11 to these financial statements for disclosure of lease liability.

Short term leases and leases of low value assets

The Group has elected not to recognize right of use assets and liabilities for some leases of low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Sale and lease back

Where the sale and lease back transactions result in a lease liability, any excess of sale proceeds over the carrying amount is deferred and amortized over the lease term. However, sale proceeds less than the carrying value is immediately recognized in the consolidated statement of profit or loss.

4.6 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

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4.7 Borrowings cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.8 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in consolidated statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

The Holding Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001 since 2014. Under this approach, the Group is accounting for the related taxes under standalone taxpayer approach. Under this approach, current and deferred taxes are recognized as if the entity was taxable in its own right.

Deferred

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the

Group recognizes deferred tax asset/ liability on deficit/ surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/ surplus.

Further, the Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in consolidated statement of profit or loss, any related tax effects are also recognized in consolidated statement of profit or loss. For transactions and other events recognized outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside consolidated statement of profit or loss (either in other comprehensive income or directly in equity, respectively).

4.9 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in consolidated statement of profit or loss.

4.10 Staff retirement benefits

The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan are recognized in the consolidated statement of profit or loss. Past service costs are immediately recognized in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in consolidated statement of profit or loss. The Group recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

4.11 Provisions

Provisions are recognized when the Group has a present 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 obligation can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.12 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.13 Financial instruments

4.13.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

4.13.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, long term deposits, loan and advances, mark up accrued, trade debts and other receivables.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss. However, the Group has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to consolidated statement of profit or loss.

Financial assets measured at FVOCI comprise of long term investments in equity securities as detailed in note 19 of these consolidated financial statements.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

Financial asset measured at FVTPL comprise of short term investments in equity securities as detailed in note 27 of these consolidated financial statements.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, dividend payable, accrued markup and lease liability.

4.13.3 Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group might enter into transactions whereby it transfers assets recognized in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in consolidated statement of profit or loss.

4.13.4 Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Group measured its long term advances and related markup to associated companies under the general approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Group’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.13.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.14 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.15 Stock-in-trade

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

Cost has been determined as follows:

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

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

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

4.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods, net of returns, allowances, trade discounts, rebates and sales tax. Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or services to a customer, and control either transfers over time or point in time.

4.17 Other Income

Other income comprises dividend income, exchange gain, markup accrued and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

4.18 Government grants

The Group recognizes government grants when there is reasonable assurance that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. The amount of grant shall be recognized and presented in the consolidated statement of financial position as 'deferred grant'. In subsequent periods, the loan amount is accreted using the effective interest method. The accreditation increases the carrying value of the loan with a corresponding effect on the interest expense for the year in the consolidated statement of profit or loss. The grant is recognized in consolidated statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

4.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cash flows comprise cash in hand and cash at banks.

4.20 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. It also includes refund liabilities arising out of customers right to claim amounts from the Group on account of contractual delays in delivery of performance obligations and incentive on target achievements.

4.21 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.22 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in consolidated statement of profit or loss attributable to ordinary shareholders of the Group that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.23 Dividend distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in consolidated statement of changes in equity in the period in which such appropriations are approved.

5 Correction of prior period error

The Group recorded an amount of Rs. 47.94 million in consolidated statement of profit or loss on account of net share of loss from Fatima Energy Limited ('FEL'), an associated company. Net share of loss of the associated company was calculated based on loss before taxation of Rs. 198.85 million reported in management accounts for the year ended 30 June 2019. However, FEL reported loss before taxation of Rs. 391.18 million in its audited financial statements for the year ended 30 June 2019. As a consequence, net share of loss of FEL was understated. The correction of error is accounted for retrospectively, and the comparative information has been restated. The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	For the year ended 30 June 2019		
	2019 (As previously reported)	**Loss (Increase)/ Decrease**	**2019 (Restated)**
Statement of profit or loss		**Rupees**	
Share of loss from associates - net	(64,291,220)	(45,875,493)	(110,166,713)
Profit before taxation	2,593,150,970	(45,875,493)	2,547,275,477
Taxation			
- Group	(1,005,311,355)	-	(1,005,311,355)
- Associates	-	(223,259)	(223,259)
	(1,005,311,355)	(223,259)	(1,005,534,614)
Profit after taxation	1,587,839,615	(46,098,752)	1,541,740,863
Other comprehensive income - net of tax			
- Group's share in associates	-	454,715	454,715
- Others	(122,136,864)	-	(122,136,864)
Total comprehensive income for the year	1,465,702,751	(45,644,037)	1,420,058,714

Statement of financial position	As at 30 June 2019		
	2019 (As previously reported)	Decrease	2019 (Restated)
	Rupees		
Long term investments			
Associated companies - at equity method	1,267,244,576	(45,644,037)	1,221,600,539
Net impact on equity	21,754,515,187	(45,644,037)	21,708,871,150

6 Issued, subscribed and paid-up capital

	2020	2019	**2020**	2019
	- - - - (Number of shares) - - - -		**- - - - - - - (Rupees) - - - - - - -**	
Ordinary shares of Rs. 10 each fully paid in cash	**1,000,000**	1,000,000	**10,000,000**	10,000,000
Ordinary shares of Rs. 10 each fully paid as right shares	**9,187,200**	9,187,200	**91,872,000**	91,872,000
Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**19,812,800**	19,812,800	**198,128,000**	198,128,000
	30,000,000	30,000,000	**300,000,000**	300,000,000

6.1 As at the consolidated statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

	2020	2019	**2020**	2019
	------(Number of shares)---------		**---(Percentage of holding)---**	
Fazal Holdings (Private) Limited	**7,346,541**	7,346,541	**24.49**	24.49
Mr. Rehman Naseem	**3,101,320**	3,101,320	**10.34**	10.34
Mr. Fawad Ahmed Mukhtar	**2,415,422**	2,415,422	**8.05**	8.05
Mr. Fazal Ahmed Sheikh	**2,041,611**	2,041,611	**6.81**	6.81
Mr. Faisal Ahmed Mukhtar	**2,039,865**	2,039,865	**6.80**	6.80
Mr. Abdullah Amir Fazal	**1,421,639**	1,421,639	**4.74**	4.74
Mr. Muhammad Yousaf Amir S/O Amir Naseem Sheikh	**1,421,638**	1,421,638	**4.74**	4.74
Fatima Holding Limited	**1,176,847**	1,176,847	**3.92**	3.92
Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh	**1,012,970**	1,012,970	**3.38**	3.38
Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh	**1,012,969**	1,012,969	**3.38**	3.38
Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Ibrahim Mukhtar S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar	**675,895**	675,895	**2.25**	2.25
Mr. Fahad Mukhtar	**579,715**	579,715	**1.93**	1.93
Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar	**536,207**	536,207	**1.79**	1.79
Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar	**536,206**	536,206	**1.79**	1.79
Mr. Amir Naseem Sheikh	**82,828**	82,828	**0.28**	0.28
Mr. Sheikh Naseem Ahmad	**8,820**	8,820	**0.03**	0.03
Mrs. Mahnaz Amir Sheikh	**4,447**	4,447	**0.01**	0.01
Reliance Commodities (Private) Limited	**500**	500	**0.002**	0.002
Ms. Perveen Akhter Malik	**1**	-	-	-
Mr. Masood Karim Sheikh	**1**	-	-	-
Mr. Babar Ali	**1**	-	-	-

7 Other capital reserves	*Note*	**2020 Rupees**	2019 Rupees
Share premium			
Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001		**63,360,000**	63,360,000
Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002		**14,256,000**	14,256,000
	7.1	**77,616,000**	77,616,000
Capital redemption reserve	*7.2*	**175,000,000**	175,000,000
Fair value reserve	*7.3*	**927,362,846**	1,120,927,815
		1,179,978,846	1,373,543,815

7.1 This reserve can be utilized by the Holding Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

7.2 This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

7.3 This represents fair value adjustment on investments classified as fair value through OCI and is not available for distribution to the shareholders.

	2020	2019
8 Revaluation surplus on property, plant and equipment	**Rupees**	Rupees
Gross surplus		
Balance at 01 July	**10,954,914,891**	11,374,447,477
Effect of disposal of operating fixed assets during the year - net of deferred tax	**(5,327,737)**	(18,200,980)
Related deferred tax liability	**(1,220,205)**	(4,145,763)
	(6,547,942)	(22,346,743)
Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	**(303,494,901)**	(323,514,158)
Related deferred tax liability	**(69,509,086)**	(73,671,685)
	(373,003,987)	(397,185,843)
Balance at 30 June	**10,575,362,962**	10,954,914,891
Deferred tax liability on revaluation surplus		
Balance at 01 July	**1,396,305,084**	1,234,847,929
Related deferred tax liability:		
- Effect of disposal of operating fixed assets during the year - net of deferred tax	**(1,220,205)**	(4,145,763)
- Transferred to unappropriated profits in respect of incremental depreciation charge for the year - net of deferred tax	**(69,509,086)**	(73,671,685)
	(70,729,291)	(77,817,448)
Effect of change in proration rate	**6,499,383**	239,274,603
Balance at 30 June	**1,332,075,176**	1,396,305,084
Revaluation surplus on property, plant and equipment - net of tax	**9,243,287,786**	9,558,609,807

8.1 Property, plant and equipment of the Group except office equipment, furniture and fittings and vehicles have been revalued on 28 February 2018 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Holding Company and the Subsidiary Company and approved by Pakistan Banks' Association 'any amount' category, resulting in recognition of additional surplus of Rs. 4,151 million. Previously, the revaluation of Holding Company was carried out on 30 June 2007, 31 March 2012 and 31 March 2015 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million and Rs. 4,116 million, respectively. Similarly, the previous revaluation of Subsidiary Company was carried out by Harvest Services (Private) Limited, an independent valuer not connected with the Subsidiary Company and approved by the Pakistan Banks' Association in 'any amount' category, on 30 September 2014 resulting in surplus of Rs. 282 million.

Freehold land

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants of land, neighboring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

Factory and non-factory building

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

Plant and machinery and others fixed assets

Plant and machinery and other fixed assets have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

9 Long term financing - *secured*

	Note	2020 Rupees	2019 Rupees
Long term financing:			
- banking companies	9.1	**10,624,775,616**	9,404,951,181
- other financial institutions	9.2	**1,732,500,000**	1,389,165,714
		12,357,275,616	10,794,116,895
Current portion of long term financing	13	**(724,305,551)**	(2,038,830,033)
		11,632,970,065	8,755,286,862

9.1 Banking companies:

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	--------Rupees--------				
Askari Bank Limited					
- Term finance - TF	**266,666,667**	333,333,334	6 Months KIBOR + 1.00%	Balance principal amount is payable in eight equal half yearly installments, ending on 21 February 2025 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs.1,776.50 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance - TF	**500,000,000**	500,000,000	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 26 May 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance - TF	**35,796,000**	-	6 Months KIBOR + 1.00%	Principal amount is payable in twelve equal half yearly installments beginning on 22 December 2022.	
- Term finance - TF	**9,506,406**	10,694,707	6 Months KIBOR + 1.00%	Balance principal is payable in eight equal half yearly instalments, ending on 09 November 2024 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/mortgage of Rs. 333.33 million on all present and future fixed assets of the Subsidiary Company and personal guarantees of sponsoring directors of the Subsidiary Company.
- Term finance under SBP's LTFF scheme	**123,826,926**	154,783,662	SBP Rate + 1.00% (fixed rate)	Balance principal is payable in eight equal half yearly instalments, ending on 13 January 2025 after availing deferment of one year as allowed by SBP during March 2020.	
	935,795,999	998,811,703			
Soneri Bank Limited					
- Term finance - TF	**-**	14,963,523	3 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 886 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance - TF	**-**	35,000,000	3 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	
- Term finance - TF	**60,000,000**	120,000,000	3 Months KIBOR + 1.00%	Balance principal amount is payable in three equal quarterly installments, ending on 15 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance under SBP's LTFF scheme	**492,111,404**	492,111,404	SBP rate + 1.10% (fixed rate)	Balance principal amount is payable in thirty two equal quarterly installments, beginning on 20 September 2021 after availing deferment of one year as allowed by SBP during March 2020.	
	552,111,404	662,074,927			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	Rupees				
Faysal Bank Limited					
- Term finance - TF	-	20,000,000	6 Months KIBOR + 1.00%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 667 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
	-	20,000,000			
Habib Bank Limited					
- Demand finance under SBP's LTFF Scheme	**374,873,610**	428,426,984	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly installments, ending on 29 September 2027 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 600 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
	374,873,610	428,426,984			
National Bank of Pakistan					
- Demand finance - VII	**101,024,080**	144,320,113	6 Months KIBOR + 1.25%	Balance principal amount is payable in seven equal quarterly installments, ending on 03 December 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,566 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance - VII under SBP's LTFF Scheme	**50,713,648**	72,448,066	SBP rate + 1.25% (fixed rate)	Balance principal amount is payable in seven equal quarterly installments, ending on 03 December 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - IX under SBPs' LTFF Scheme	**900,000,000**	63,424,160	SBP rate + 0.60% (fixed rate)	Principal amount is payable in thirty six equal quarterly installments, beginning on 08 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - IX	-	53,388,920	6 Months KIBOR + 1.00%	Entire amount was transferred to SBP's LTFF Scheme during the year.	
	1,051,737,728	333,581,259			
United Bank Limited					
- Demand finance	-	20,000,000	3 Months KIBOR + 1.00%	Balance principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 1,503 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand finance - II under SBP's LTFF Scheme	**750,346,496**	808,065,453	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in thirteen equal half yearly installments, ending on 30 June 2027 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand finance - III	**225,000,000**	262,500,000	6 Months KIBOR + 1.10%	Balance principal amount is payable in six equal half yearly installments, ending on 30 November 2023 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan	**2,271,504**	2,725,804	6 Months KIBOR + 1.00%	Balance principal is payable in five equal half yearly instalments, ending on 04 June 2023.	1st joint pari passu charge of Rs. 266.67 million over the fixed assets of the Subsidiary Company, personal guarantees of the key directors and corporate guarantee of the Holding Company.
- Term loan under SBP's LTFF Scheme	**77,416,498**	108,383,090	SBP rate + 1.00% (fixed rate)	Balance principal is payable in five equal half yearly instalments, ending on 04 June 2023 after availing deferment of one year as allowed by SBP during March 2020.	
	1,055,034,498	1,201,674,347			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---- Rupees ----				
MCB Bank Limited					
- Term finance	**160,000,000**	240,000,000	3 Months KIBOR + 0.60%	Balance principal amount is payable in two equal half yearly installments, ending on 31 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 537 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Demand finance	**183,333,000**	274,999,500	6 Months KIBOR + 1.25%	Balance principal is payable in four equal half yearly instalments, ending on 29 December 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 800 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
	343,333,000	514,999,500			
Allied Bank Limited					
- Term loan - V	**36,405,198**	72,810,396	6 Months KIBOR + 0.90%	Balance principal amount is payable in two equal half yearly installments, ending on 26 February 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,510 million on all present and future fixed assets of the Holding Company and personal guarantees of sponsoring directors of the Holding Company.
- Term loan - VI	**124,999,997**	208,333,331	6 Months KIBOR + 0.90%	Balance principal amount is payable in three equal half yearly installments, ending on 06 August 2022 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan - VII	**387,299,485**	442,627,983	6 Months KIBOR + 0.65%	Balance principal amount is payable in fourteen equal half yearly installments, ending on 02 March 2028 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan - VII under SBP's LTFF Scheme	**332,850,654**	355,040,698	SBP Rate+0.50% (fixed rate)	Balance principal is payable in fifteen equal half yearly installments, ending on 02 September 2028 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan -VIII under SBP's LTFF scheme	**689,994,325**	689,994,325	SBP rate + 0.50% (fixed rate)	Principal amount is payable in sixteen equal half yearly installments, beginning on 04 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan -IX	**-**	32,644,463	6 Months KIBOR + 0.75%	Entire amount was transferred to SBP's LTFF Scheme during the year.	
- Term loan -IX under SBP's LTFF scheme	**498,134,914**	-	SBP rate + 0.75% (fixed rate)	Principal amount is payable is sixteen equal half yearly installments, beginning on 27 September 2021.	
- Term loan -X	**152,777,393**	-	6 Months KIBOR + 0.75%	Principal amount is payable is nineteen equal half yearly installments, beginning on 25 March 2021.	
- Term loan -XI under SBP's LTFF (Salaries & Wages) scheme - *Note 8.4*	**276,546,274**	-	1.50% fixed rate	Principal amount is payable in eight equal quarterly installments, beginning on 01 January 2021.	
Less: deferred grant	**(30,891,117)**	-			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	- - - - - - - - - - - - - - - R u p e e s	**- - - - - - - - - - - - - - -**			
- Term finance - I	**233,333,336**	291,666,669	6 Months KIBOR + 1.05%	Balance principal is payable in four equal half yearly instalments, ending on 08 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,333.34 million over all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
- Term finance - II	**100,000,000**	125,000,000	6 Months KIBOR + 1.25%	Balance principal is payable in eight equal half yearly instalments, ending on 12 October 2024 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance - II under SBP's LTFF Scheme	**100,000,000**	125,000,000	SBP Rate + 1.25% (fixed rate)		
- Term finance - III under SBP's LTFF Scheme	**50,000,000**	50,000,000	SBP Rate + 1.00% (fixed rate)	Sixteen equal half yearly equal instalments of principal amount beginning on 11 June 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term loan - under SBP's LTFF (Salaries & Wages) scheme - *Note 8.4*	**41,573,330**	-	1.50% (fixed rate)	Eight equal half yearly equal instalments of principal amount beginning on 01 January 2021.	
Less: deferred grant	**(4,643,875)**				
	2,988,379,914	2,393,117,865			
The Bank of Khyber					
- Term finance	**34,866,812**	104,600,444	6 Months KIBOR + 0.75%	Last installment of principal amount is payable on 25 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,330 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Demand finance - II	**75,000,000**	112,500,000	6 Months KIBOR + 0.75%	Balance principal amount is payable in two equal half yearly installments, ending on 15 October 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Demand Finance under SBP's LTFF scheme	**350,000,000**	350,000,000	SBP rate + 0.60% (fixed rate)	Principal amount is payable in ten equal half yearly installments, beginning on 27 February 2022 after availing deferment of one year as allowed by SBP during March 2020.	
	459,866,812	567,100,444			
The Bank of Punjab					
- Term finance	**83,200,710**	104,000,887	6 Months KIBOR + 0.85%	Balance principal amount is payable in four equal half yearly, ending on 30 September 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 2,873 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance under SBP's LTFF Scheme	**437,500,002**	500,000,000	SBP rate + 0.50% (fixed rate)	Balance principal amount is payable in fourteen equal half yearly installments, ending on 05 December 2027 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**600,000,000**	600,000,000	6 Months KIBOR + 0.75%	Principal amount is payable in twelve equal half yearly installments, beginning on 25 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance under SBP's LTFF Scheme	**499,913,265**	499,913,265	SBP rate + 0.75% (fixed rate)	Balance principal amount is payable in sixteen equal half yearly installments, beginning on 15 June 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**247,343,093**	-	6 Months KIBOR + 1.50%	Principal amount is payable in sixteen equal half yearly installments, beginning on 27 June 2022.	
- Term finance under SBP's LTFF Scheme	**45,685,581**	-	SBP rate + 1.50% (fixed rate)	Principal amount is payable in sixteen equal half yearly installments, beginning on 27 June 2022.	
	1,913,642,651	1,703,914,152			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------- Rupees ----------				
Standard Chartered Bank (Pakistan) Ltd					
- Term finance	**225,000,000**	281,250,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in four equal half yearly installments, ending on 06 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 552 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
JS Bank Limited					
- Term finance	**225,000,000**	300,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in six equal half yearly installments, ending on 24 January 2024 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 620 million on all present and future plant & machinery of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
Bank Al Habib Limited					
- Term finance	**500,000,000**	-	6 Months KIBOR + 1.00%	Principal amount is payable in ten equal half yearly installments, beginning on 17 July 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Holding Company.
	10,624,775,616	9,404,951,181			

9.2 Other financial institutions:

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
Pak Brunei Investment Company Limited					
- Term finance	**-**	16,665,714	3 Months KIBOR + 0.80%	Principal amount has been fully repaid during the year.	1st joint pari passu charge/ mortgage of Rs. 212 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Term finance	**125,000,000**	187,500,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in four equal half yearly installments, ending on 23 January 2023 after availing deferment of one year as allowed by SBP during March 2020.	
	125,000,000	204,165,714			
Pak Oman Investment Company Limited					
- Term finance	**62,500,000**	87,500,000	6 Months KIBOR + 0.90%	Balance principal amount is payable in five equal quarterly installments, ending on 26 March 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,103 million on all present and future fixed assets of the Holding Company, ranking charge on plant & machinery of Rs. 667 million and personal guarantees of the sponsoring directors of the Holding Company. Ranking charge will be vacated after upgradation to 1st joint pari passu charge.
- Term finance	**245,000,000**	297,500,000	3 Months KIBOR + 0.90%	Balance principal amount is payable in fourteen equal quarterly installments, ending on 23 September 2024 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**500,000,000**	500,000,000	6 Months KIBOR + 0.90%	Principal amount is payable in twenty equal quarterly installments, beginning on 24 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Term finance	**500,000,000**	-	3 Months KIBOR + 2%	Principal amount is payable in twenty four equal quarterly installments, beginning on 09 June 2021.	
	1,307,500,000	885,000,000			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Saudi Pak Industrial & Agricultural Investment Co. Ltd					
- Term finance	**300,000,000**	300,000,000	6 Months KIBOR + 2.25%	Principal amount is payable in twelve equal half yearly installments, beginning on 21 July 2021.	1st joint pari passu charge/ mortgage of Rs. 400 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
	1,732,500,000	1,389,165,714			

9.3 State Bank of Pakistan introduced a 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions have deferred repayment of principal loans as stated in respective loans by one year, provided that the Group will continue to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period.

9.4 State Bank of Pakistan introduced a 'Refinance Scheme for payment of wages and salaries (RFWS Scheme)' to support the companies in payment of salaries during COVID-19 pandemic. Under this scheme, the Holding Company and the Subsidiary Company has availed financing of Rs. 276.55 million and Rs. 41.57 million respectively, from a commercial bank at a subsidized rate of 1.5% per annum. This facility has been recognized at fair value under IFRS-9 using an effective rate of interest of 9.1% per annum, difference being recorded as deferred grant in accordance with IAS 20. In accordance with the terms of the grant, the Holding Company and the Subsidiary Company are prohibited to lay-off the employees at least for six months from the period of the grant. Government grant amounting to Rs. 35.53 million has been recorded in the consolidated financial statements.

9.5 As per the financing document, the Group is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio. Further, the Group is required to comply with certain conditions imposed by the providers of finance to make dividend payment.

10 Long term musharika - *secured*

	Note	2020 Rupees	2019 Rupees
Islamic mode of financing			
Long term musharika - banking companies	*10.1*	**2,897,859,414**	2,169,056,619
Less: Current portion of long term musharika	*11*	**(270,258,778)**	(478,955,983)
		2,627,600,636	1,690,100,636

10.1 Banking companies:

Lender	2020	2019	Rate of profit per Annum	Tenure and basis of principal repayments	Security
	---------------Rupees---------------				
Meezan Bank Limited					
- Diminishing musharika - III	**-**	30,000,000	6 Months KIBOR + 0.90%	Principal amount has been fully repaid during the year.	Exclusive ranking charge on specific imported machinery stand vacated / satisfied.
- Diminishing musharika	**500,000,000**	500,000,000	6 Months KIBOR + 1.25%	Balance principal amount is payable in eight equal half yearly instalments, beginning on 28 May 2021.	1st joint pari passu charge/ mortgage of Rs. 667 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing musharika	**5,196,081**	7,806,619	6 Months KIBOR + 1.00%	Balance principal is payable in four equal half yearly instalments, ending on 30 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 93.33 million on all present and future fixed assets of the Subsidiary Company, personal guarantees of sponsoring directors and corporate guarantee of the Holding Company.
	505,196,081	537,806,619			

Lender	2020	2019	Rate of mark up per annum	Tenure and basis of principal repayments	Security
	--------------- Rupees ---------------				
Dubai Islamic Bank Pakistan Limited					
- Diminishing musharika	**200,000,000**	250,000,000	6 Months KIBOR + 1.00%	Balance principal amount is payable in four equal half yearly instalments, ending on 07 October 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 1,736 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
- Diminishing musharika	**598,913,333**	600,000,000	6 Months KIBOR + 2.00%	Principal amount is payable in eight equal half yearly instalments, beginning on 02 April 2021 after availing deferment of one year as allowed by SBP during March 2020.	
- Diminishing musharika	**500,000,000**	-	3 Months KIBOR + 1.50%	Principal amount is payable in twenty equal quarterly instalments, beginning on 06 December 2021 after availing deferment of one year as allowed by SBP during March 2020.	
	1,298,913,333	850,000,000			
Standard Chartered Bank (Pakistan) Limited					
- Diminishing musharika	**93,750,000**	281,250,000	6 Months KIBOR + 1.00%	Last installment of principal amount is payable on 27 August 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 552 million on all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company.
Faysal Bank Limited					
- Diminishing musharika	**500,000,000**	500,000,000	3 Months KIBOR + 0.75%	Principal amount is payable in six equal half yearly instalments beginning on 06 June 2021 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 667 million over all present and future fixed assets of the Holding Company and personal guarantees of the sponsoring directors of the Holding Company
National Bank of Pakistan					
- Diminishing musharika	**500,000,000**	-	6 Months KIBOR + 0.85%	Principal amount is payable in ten equal half yearly instalments beginning on 02 January 2022 after availing deferment of one year as allowed by SBP during March 2020.	1st joint pari passu charge/ mortgage of Rs. 3,566 million over all present and future fixed assets of the Holding Company.
	2,897,859,414	2,169,056,619			

10.2 State Bank of Pakistan introduced a 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions have deferred repayment of principal loans as stated in respective loans by one year, provided that the Group will continue to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period.

	2020		
	Minimum lease payments	Finance charge	Present value of minimum lease payments
11 Lease liability - *unsecured*	----------------------	(Rupees)	----------------------
Not later than one year	**8,784,600**	**10,517,582**	**(1,732,982)**
Later than one year and not later than five years	**58,993,945**	**52,530,290**	**6,463,655**
Above five years	**95,010,340**	**28,567,895**	**66,442,445**
	162,788,885	**91,615,767**	**71,173,118**

As explained in note 4.1.1 to the consolidated financial statements, the Holding Company has recognized lease building during the year on account of head office building rented out to the Holding Company. The remaining tenure of contract is 11 years payable quarterly. Lease liability is calculated at discount rate of 15.11%.

12 Deferred liabilities	*Note*	**2020 Rupees**	2019 Rupees
Staff retirement benefit - Gratuity	*12.1*	**291,766,604**	273,812,115
Deferred taxation	*12.2*	**3,125,765,394**	3,039,211,159
		3,417,531,998	3,313,023,274

12.1 Staff retirement benefit - Gratuity

The latest actuarial valuation of the Group's defined benefit plan, was conducted at 30 June using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:

12.1.1 The amounts recognized in the 'Consolidated statement of financial position' is as follows:	*Note*	**2020 Rupees**	2019 Rupees
Present value of defined benefit obligation liability at 30 June	*12.1.2*	**291,766,604**	273,812,115

12.1.2 Movement in the liability for defined benefit obligation recognized in the Consolidated statement of financial position' is as follows:

Liability for defined benefit obligation at 01 July		**273,812,115**	268,709,476
Current service cost	*12.1.3*	**112,320,570**	123,995,888
Interest cost on defined benefit obligation	*12.1.3*	**31,833,032**	19,185,697
Actuarial gain charged to 'Other Comprehensive Income'	*12.1.5*	**(25,354,285)**	(29,760,268)
Benefits paid during the year		**(100,844,828)**	(108,318,678)
Liability for defined benefit obligation at 30 June		**291,766,604**	273,812,115

12.1.3 The amounts recognized in the 'Consolidated statement of profit or loss' against defined benefit plan are as follows:

Current service cost	**112,320,570**	123,995,888
Interest cost	**31,833,032**	19,185,697
	144,153,602	143,181,585

12.1.4 Charge to 'Consolidated statement of profit or loss' against defined benefit plan has been allocated as under

Cost of sales	**134,091,171**	127,516,200
Selling and distribution expense	**1,841,964**	2,089,236
Administrative expense	**8,220,467**	13,576,149
	144,153,602	143,181,585

12.1.5 Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:

Remeasurement loss defined benefit obligation due to:

- changes in demographic assumptions	**-**	4,190,342
- changes in financial assumptions	**(759,511)**	5,009,716
- change in experience adjustment	**(24,594,774)**	(38,960,326)
	(25,354,285)	(29,760,268)

12.1.6 Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under :

The following are the principal actuarial assumptions at consolidated statement of financial position date:

	2020	2019
Discount rate used for interest cost	**14.25% per annum**	9.00% per annum
Discount rate used for year end obligation	**8.50% per annum**	14.25% per annum
Expected rate of growth per annum in future salaries	**7.50% per annum**	13.25% per annum
Mortality rates	**SLIC (2001 - 05) Setback 1 Year**	SLIC (2001 - 05) Setback 1 Year
Retirement assumption	**Age 60**	Age 60

12.1.7 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions

Reasonably possible changes at the consolidated statement of financial position date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2020			2019		
	Impact on defined benefit obligation			Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**	Change in assumption	Increase in assumption	Decrease in assumption
	Percentage	**Rupees**		Percentage	Rupees	
Discount rate	**1.00%**	**277,815,475**	**307,744,155**	1.00%	260,462,813	288,945,977
Salary growth rate	**1.00%**	**307,744,155**	**277,570,779**	1.00%	289,834,741	259,401,010

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

12.1.8 The Group expects to charge Rs. 119.68 million against current service cost and Rs. 20.51 million against net interest cost, aggregating to Rs. 140.19 million, to 'Consolidated statement of profit or loss' in respect of defined benefit plan in 2021.

12.1.9 The Group exposure to the actuarial risks are as follows:

a) Salary risks

The risk that the final salary at the time of cessation of service is greater than the assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

b) Demographic risks

Mortality Risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is

Withdrawal Risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

12.1.10 Gratuity scheme entitles members of staff retirement benefit plan on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based, on the Group's service rules, for staff gratuity. Gratuity is based on the last month basic salary for each year of service.

12.2 Deferred taxation

	2020				
		Effect of change in proration rate		(Reversal from)/ charge to	
	Balance at 01 July	Equity	'Consolidated statement of profit or loss'	'Consolidated statement of profit or loss'	Balance at 30 June
	------	------	Rupees	------	------
Taxable temporary differences arising in respect of :					
Revaluation surplus on property, plant and equipment	1,396,305,084	6,499,383	-	(70,729,291)	1,332,075,176
Accelerated Tax depreciation	1,649,638,165	-	7,678,533	145,260,223	1,802,576,921
	3,045,943,249	6,499,383	7,678,533	74,530,932	3,134,652,097
Deductible temporary difference arising in respect of :					
Provisions and others	(6,732,090)	-	(29,976)	(2,124,637)	(8,886,703)
Deferred tax liability	3,039,211,159	6,499,383	7,648,557	72,406,295	3,125,765,394

	2019				
	Balance at 01 July	Effect of change in tax rate and proration rate		(Reversal from)/ charge to	Balance at 30 June
		Equity	'Consolidated statement of profit or loss'	'Consolidated statement of profit or loss'	
	------------------------------------ Rupees --------------------				
Taxable temporary differences arising in respect of :					
Revaluation surplus on property, plant and equipment	1,234,847,929	239,274,603	-	(77,817,448)	1,396,305,084
Accelerated Tax depreciation	1,202,750,228	-	285,253,977	161,633,960	1,649,638,165
	2,437,598,157	239,274,603	285,253,977	83,816,512	3,045,943,249
Deductible temporary difference arising in respect of :					
Minimum tax carried forward	(233,143,126)	-	-	233,143,126	-
Provisions and others	(3,138,367)	-	879,714	(4,473,437)	(6,732,090)
	(236,281,493)	-	879,714	228,669,689	(6,732,090)
Deferred tax liability	2,201,316,664	239,274,603	286,133,691	312,486,201	3,039,211,159

13	Current portion of non-current liabilities	Note	2020 Rupees	2019 Rupees
	Markup bearing finances from conventional banks:			
	Long term financing - *secured*	9	**724,305,551**	2,038,830,033
	Islamic mode of financing :			
	Long term musharika - *secured*	10	**270,258,778**	478,955,983
	Deferred grant	9	**16,000,569**	-
			1,010,564,898	2,517,786,016

14 Trade and other payables

	Note	2020 Rupees	2019 Rupees
Trade creditors		**556,632,651**	740,705,618
Accrued liabilities		**1,295,814,335**	1,361,663,397
Due to associated undertakings	*14.1*	**282,279,141**	21,011,764
Bills payable		**557,681,391**	803,409,065
Contract liabilities		**308,136,434**	74,909,433
Tax deducted at source		**10,052,389**	2,292,813
Infrastructure cess	*14.2*	**556,798,026**	446,925,590
Workers' profit participation fund	*14.3*	**51,639,012**	133,481,782
Workers' welfare fund	*14.4*	**49,187,833**	36,822,050
Loan from Director	*14.5*	**299,693**	299,693
Sales tax payable	*14.6*	**-**	164,765,348
		3,668,520,905	3,786,286,553

14.1 Due to associated undertakings

	Note	2020 Rupees	2019 Rupees
Ahmed Fine Textile Mills Limited		**246,420,298**	-
Hussain Ginneries Limited		**12,012,520**	12,000,970
Fatima Energy Limited		**21,957,598**	757,694
Fatima Fertilizer Company Limited		**1,765,621**	6,180,175
Fazal Farm (Private) Limited		**54,103**	1,818,639
Fazal-ur-Rehman Foundation		**28,500**	213,785
Pakarab Fertilizer Limited		**40,501**	40,501
	14.1.1	**282,279,141**	21,011,764

14.1.1 These are unsecured and in the normal course of business for goods and services.

14.2 This represent provision against 'Sindh Infrastructure Cess', levied under section 9 of 'Sindh Finance Act, 1994' at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Group has filed an appeal in the 'Honorable Sindh High Court' against levy, which is pending fixation. The Group, however, keeping in view of any unfavorable outcome of the appeal, has provided the balance payable amount in these consolidated financial statement.

14.3	Workers' profit participation fund	Note	2020 Rupees	2019 Rupees
	Balance as at 01 July		**133,481,782**	85,835,266
	Provision for the year	*34*	**51,639,012**	133,481,782
	Interest on funds utilized by the Group		**28,906,392**	11,596,314
			214,027,186	230,913,362
	Payment made during the year		**(162,153,254)**	(97,335,095)
	Deposited in 'Government Treasury'		**(234,920)**	(96,485)
	Balance as at 30 June		**51,639,012**	133,481,782

14.4	Workers' welfare fund			
	Balance as at 01 July		**36,822,050**	14,449,516
	Allocation for the year	*34*	**12,365,783**	22,372,534
	Balance as at 30 June		**49,187,833**	36,822,050

14.5 This represents interest free loan from a director of the Subsidiary Company. The loan is unsecured and repayable on demand.

14.6 As detailed in note 30.1, in pursuance to amendments in S.R.O 1125/(I)/2011 vide S.R.O 584(I)/2017, the Group had been charging further tax at the rate 1% to unregistered person under section 3(1A) of the Sales Act, 1990 with effect from 01 July 2017. However, the Group had challenged the amendments in Honorable High Court of Lahore ('LHC') and the LHC had issued an interim stay in favor of the Group, whereby the Group was not required to make the payment of the amount till finalization of the matter. Subsequently, the LHC through its order dated 05 August 2020 has decided that the amendment in Sales tax Act, 1990 enacted through Finance Act, 2017 and notifications issued in terms thereof are declared ultra vires the constitution and of no legal effect. Accordingly, an amount of Rs. 164.77 million has been re-classified to contract liabilities.

15 Short term borrowings - *secured*

Banking companies	Nominal interest rate %	2020 Rupees	2019 Rupees
Mark-up based borrowings from conventional banks			
Cash finance	**8.01 - 14.71**	**1,637,257,278**	1,587,890,432
Running finance	**8.33 - 15.21**	**1,579,377,202**	1,526,357,539
Finance against imported merchandise	**8.44 - 14.80**	**679,897,563**	1,968,264,834
Money market loan	**7.68 - 14.52**	**2,778,999,999**	5,035,877,515
Finance against trust receipt	**8.59 - 14.04**	**457,466,061**	48,942,000
Foreign currency export finance *(USD: 22,395,080)*	**1.88 - 3.89**	**3,779,169,695**	-
Islamic mode of financing			
Running musharika	**9.36 - 14.68**	**525,056,419**	1,078,756,110
Karobar finance/ Import murabaha/ Musawammah	**8.58 - 13.81**	**100,000,000**	1,053,812,938
		11,537,224,217	12,299,901,368

15.1 The Group has short term borrowing facilities including funded and non-funded, available from various commercial banks under mark-up/ profit arrangements to meet the working capital requirements having aggregate sanctioned limits of Rs. 32,767 million (2019: Rs. 29,542 million). These facilities are secured against different securities including pledge of stock -in- trade, hypothecation on stocks, stores and spares, charge on current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stock-in-trade amounting to Rs. 4,970 million (2019: 7,220 million) and 69 million shares of Fatima Fertilizer Company Limited. Short term borrowing facilities (funded and unfunded) which remained unutilized at year end are Rs. 18,620 million (2019: Rs. 15,529 million). These facilities are expiring on various dates by 30 June 2021.

	2020	2019
16 Accrued mark-up	**Rupees**	Rupees
Mark-up based loans from conventional bank:		
Long term financing - *secured*	**247,881,454**	206,614,165
Short term borrowings - *secured*	**172,865,628**	187,396,578
	420,747,082	394,010,743
Islamic mode of financing:		
Long term musharika - *secured*	**82,187,097**	50,004,744
Short term borrowings - *secured*	**14,257,071**	37,240,470
	96,444,168	87,245,214
	517,191,250	481,255,957

17 Contingencies and commitments

17.1 Contingencies

The Holding Company

Income Tax

17.1.1 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs. 8.8 million, 36.38 million and Rs. 49.78 million against the Holding Company through separate orders, dated 28 June 2019, 30 April 2018 and 29 June 2018 respectively, under section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2013, 2015 and 2016 respectively. The Holding Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR-A) which is pending adjudication.

17.1.2 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs. 32.03 million against the Holding Company through amendment order, dated 28 June 2019 under section 122(5A) for tax year 2013. The Holding Company has preferred appeal against the orders in appeal before CIR-A which is pending adjudication.

17.1.3 The officials of LTU - Lahore after concluding income tax audit under section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Holding Company through amended order, dated 26 April 2018, under section 122(5) of the Ordinance for tax year 2014. The Holding Company has agitated the order in appeal before CIR-A, which is pending adjudication.

17.1.4 Consequent to amendment of deemed income tax assessment of tax years 2006 to 2012 vide separate orders, dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, involving income tax of Rs. 324.8 million, the Holding Company has been extended significant relief by the CIR-A. The issues in respect of which CIR-A did not allow relief have been taken up in appeals before the Appellate Tribunal Inland Revenue (ATIR) and such appeals is pending adjudication.

17.1.5 The officials of LTU - Lahore, while giving effect to findings of CIR-A's appellate orders under section 124/129 of the Ordinance in the context of amendments made under section 122(5A) of the Ordinance, have arbitrarily made disallowances/ increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue has been taken up in appeals before CIR-A which are pending adjudication.

17.1.6 Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2013 involving a sum of Rs. 234 million. The first appellate authority has maintained departmental stance, the Holding Company's appeals are lying with Appellate Tribunal Inland Revenue except for tax year 2013 which is pending with CIR-A.

17.1.7 Proceedings were initiated by officials of LTU - Lahore through orders dated 29 December 2018 under section 122(5A) of the Ordinance regarding admissibility of WPPF provision amounting to Rs. 16.12 million, Rs. 10.71 million and Rs. 12.50 million for tax year 2015, 2016 and 2017 respectively. The Holding Company filed an appeal before CIR-A which is pending for adjudication.

17.1.8 Through order dated 28 June 2019 under section 132/162/205 of the Ordinance, the LTU - Lahore officials raised income tax demand of Rs. 10.11 million for tax year 2009 on the grounds that tax under section 148 at import stage was short paid. The Holding Company filed an appeal before CIR-A, through appellate order 23 October 2019 the tax demand was vacated by CIR-A. The department has assailed the appellate order of CIR-A in appeal before ATIR which has not yet been fixed for hearing.

Sales Tax

17.1.9 The Assistant Commissioner Inland Revenue, as a result of sales tax audit for tax year July 2013 to June 2014 raised a sales tax demand of Rs. 71.60 million through order dated 31 July 2017. The Holding Company filed an appeal before CIR-A which was disposed off through appellate order dated 06 March 2019 passed under section 45B of the Sales Tax Act (‘Act’) whereby such order was annulled, and the matter was remanded back to department for denovo consideration which is pending adjudication.

17.1.10 The Deputy Commissioner Inland Revenue (DCIR) issued Order-In-Original No. 14/2019-20 dated 15 April 2020 ('ONO') under section 11 of the Sales Tax Act 1990 against the Holding Company, disallowing the input tax of Rs 143.63 million claimed under various heads from tax periods July 2013 to August 2018. The Holding Company filed an appeal before CIR-A which was disposed off through appellate order dated 29 June 2020 passed under section 45B of the sales Tax Act ('Act') whereby ONO was annulled, and the matter was remanded back to department for denovo consideration. However, the Holding Company preferred an appeal in ATIR and the matter is pending adjudication.

The Subsidiary Company

17.1.11 The Commissioner Inland Revenue ('CIR') through order, dated 28 December 2017, rejected admissibility of input tax aggregating to Rs 7.27 million, primarily on account of mismatch of buyer/ seller declarations and building materials, subsequent to audit of tax period July - 2013 to June - 2014. The Subsidiary Company has agitated such order in appeal before the Commissioner Inland Revenue - Appeals ('CIR-A'), which is pending adjudication.

17.1.12 The Commissioner Inland Revenue (Appeals) through its order dated 14 April 2016 has maintained departmental rejection of input tax of Rs 18.10 million (primarily comprising out of building materials) in terms of provisions contained in SRO 450(I)/2013. The Subsidiary Company has agitated such order in appeal before Appellate Tribunal Inland Revenue which is pending adjudication.

Based on the opinion of the Group's legal counsel the management is confident of favorable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the consolidated financial statements.

17.2 Commitments

17.2.1 Export documents negotiated with banks under Foreign bill purchase facility are USD 7.25 million (Holding Company: USD 2.81 million and Subsidiary Company: USD 4.44 million).

17.2.2 Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Group, to various institutions and corporate bodies.

	2020 **Rupees**	2019 Rupees
- The Holding Company	**979,554,700**	829,918,200
- The Subsidiary Company	**88,006,000**	78,347,615

	2020 Rupees	2019 Rupees
17.2.3 Commitments against irrevocable letters of credit:		
The Holding Company		
- capital expenditure	**324,053,382**	1,156,882,636
- raw material and stores and spares	**1,195,456,542**	672,052,805
	1,519,509,924	1,828,935,441
The Subsidiary Company		
- raw material and stores and spares	**349,546,759**	132,683,692
17.2.4 Commitments in respect of foreign exchange forward contracts:		
The Holding Company	**506,250,000**	-
The Subsidiary Company	**590,625,000**	-

17.2.5 Minimum lease payment in respect of ginning unit under operating lease ending on 30 June 2021,

	2020 Rupees	2019 Rupees
- not later than one year	**1,250,000**	8,510,000
- 1 to 5 years	**-**	50,005,329
- later than 5 years	**-**	122,019,562

	Note	2020 Rupees	2019 Rupees
18 Property, plant and equipment			
Operating fixed assets	*18.1*	**27,828,545,057**	26,743,990,836
Right of use asset - building	*18.1*	**63,179,387**	-
Capital work-in-progress - at cost	*18.3*	**304,978,410**	485,297,361
		28,196,702,854	27,229,288,197

18.1 Operating fixed assets

	Cost/ revalued amount				Rate	Accumulated depreciation				Net book value
	Balance as at 01 July 2019	Additions	Disposals	Balance as at 30 June 2020	%	Balance as at 01 July 2019	For the year	Disposals	Balance as at 30 June 2020	Balance as at 30 June 2020
	Rupees					Rupees				
Freehold land										
- cost	471,448,957	-	-	471,448,957		-	-	-	-	471,448,957
- revaluation surplus	3,427,098,284	-	-	3,427,098,284		-	-	-	-	3,427,098,284
	3,898,547,241	-	-	3,898,547,241		-	-	-	-	3,898,547,241
Factory building on free hold land										
- cost	2,353,067,450	254,780,498	-	2,607,847,948		647,704,469	96,016,324	-	743,720,793	1,864,127,155
- revaluation surplus	3,327,295,893	-	-	3,327,295,893	5	1,388,549,455	94,457,179	-	1,483,006,634	1,844,289,259
	5,680,363,343	254,780,498	-	5,935,143,841		2,036,253,924	190,473,503	-	2,226,727,427	3,708,416,414
Non-factory building on free hold land										
- cost	878,976,381	72,172,629	-	951,149,010		237,530,850	32,999,055	-	270,529,905	680,619,105
- revaluation surplus	3,015,066,862	-	-	3,015,066,862	5	1,118,925,067	94,406,891	-	1,213,331,958	1,801,734,904
	3,894,043,243	72,172,629	-	3,966,215,872		1,356,455,917	127,405,946	-	1,483,861,863	2,482,354,009
Non-factory building on lease hold land										
- cost	85,284,154	-	-	85,284,154		18,583,408	10,005,112	-	28,588,520	56,695,634
- revaluation surplus	-	-	-	-	15	-	-	-	-	-
	85,284,154	-	-	85,284,154		18,583,408	10,005,112	-	28,588,520	56,695,634
Plant and machinery										
- cost	16,941,503,676	1,869,401,897	(26,821,086)	18,784,084,487		4,858,458,526	662,323,408	(19,709,684)	5,501,072,250	13,283,012,237
- revaluation surplus	5,151,456,187	-	(11,264,857)	5,140,191,330	5	2,310,260,153	141,488,147	(4,716,915)	2,447,031,385	2,693,159,945
	22,092,959,863	1,869,401,897	(38,085,943)	23,924,275,817		7,168,718,679	803,811,555	(24,426,599)	7,948,103,635	15,976,172,182
Electric fittings and installations										
- cost	835,898,414	96,862,491	(644,694)	932,116,211		238,865,160	31,172,509	(308,571)	269,729,098	662,387,113
- revaluation surplus	1,177,825,576	-	-	1,177,825,576	5	481,998,196	34,752,169	-	516,750,365	661,075,211
	2,013,723,990	96,862,491	(644,694)	2,109,941,787		720,863,356	65,924,678	(308,571)	786,479,463	1,323,462,324
Sui gas installations										
- cost	14,020,862	359,550	-	14,380,412		7,732,891	315,897	-	8,048,788	6,331,624
- revaluation surplus	13,612,858	-	-	13,612,858	5	7,555,252	302,880	-	7,858,132	5,754,726
	27,633,720	359,550	-	27,993,270		15,288,143	618,777	-	15,906,920	12,086,350
Tools, laboratory equipment and arms										
- cost	109,570,343	2,409,322	-	111,979,665		28,038,395	4,178,118	-	32,216,513	79,763,152
- revaluation surplus	283,583,867	-	-	283,583,867	5	156,335,261	6,467,789	-	162,803,050	120,780,817
	393,154,210	2,409,322	-	395,563,532		184,373,656	10,645,907	-	195,019,563	200,543,969
Fire extinguishing equipment and scales										
- cost	16,779,694	4,675,470	-	21,455,164		7,464,776	503,751	-	7,968,527	13,486,637
- revaluation surplus	46,241,510	-	-	46,241,510	5	23,642,762	1,128,932	-	24,771,694	21,469,816
	63,021,204	4,675,470	-	67,696,674		31,107,538	1,632,683	-	32,740,221	34,956,453
Office equipments	54,707,635	12,262,637	(791,933)	66,178,339	10	24,619,471	3,652,533	(281,006)	27,990,998	38,187,341
Furniture and fittings	30,185,267	1,155,937	-	31,341,204	10	14,323,667	1,645,783	-	15,969,450	15,371,754
Vehicles	211,144,041	18,588,672	-	229,732,713	20	130,189,316	17,792,011	-	147,981,327	81,751,386
Right of use asset - building	-	68,922,967	-	68,922,967	8.33	-	5,743,580	-	5,743,580	63,179,387
2020	38,444,767,911	2,401,592,070	(39,522,570)	40,806,837,411		11,700,777,075	1,239,352,068	(25,016,176)	12,915,112,967	27,891,724,444

Operating fixed assets

	Cost/ revalued amount					Accumulated depreciation				Net book value
	Balance as at 01 July 2018	Additions	Disposals	Balance as at 30 June 2019	Rate %	Balance as at 01 July 2018	For the year	Disposals	Balance as at 30 June 2019	Balance as at 30 June 2019
	Rupees					Rupees				
Freehold land										
- cost	471,149,466	299,491	-	471,448,957		-	-	-	-	471,448,957
- revaluation surplus	3,427,098,284	-	-	3,427,098,284		-	-	-	-	3,427,098,284
	3,898,247,750	299,491	-	3,898,547,241		-	-	-	-	3,898,547,241
				-					-	
Factory building on free hold land										
- cost	2,078,995,957	274,071,493	-	2,353,067,450		564,310,561	83,393,908	-	647,704,469	1,705,362,981
- revaluation surplus	3,327,295,893	-	-	3,327,295,893	5	1,286,346,727	102,202,728	-	1,388,549,455	1,938,746,438
	5,406,291,850	274,071,493	-	5,680,363,343		1,850,657,288	185,596,636	-	2,036,253,924	3,644,109,419
				-					-	
Non-factory building on free hold land										
- cost	843,791,081	35,185,300	-	878,976,381		204,700,403	32,830,447	-	237,530,850	641,445,531
- revaluation surplus	3,015,066,862	-	-	3,015,066,862	5	1,019,010,646	99,914,421	-	1,118,925,067	1,896,141,795
	3,858,857,943	35,185,300	-	3,894,043,243		1,223,711,049	132,744,868	-	1,356,455,917	2,537,587,326
				-					-	
Non-factory building on lease hold land										
- cost	81,960,081	3,324,073	-	85,284,154		7,171,507	11,411,901	-	18,583,408	66,700,746
- revaluation surplus	-	-	-	-	15	-	-	-	-	-
	81,960,081	3,324,073	-	85,284,154		7,171,507	11,411,901	-	18,583,408	66,700,746
				-					-	
Plant and machinery										
- cost	14,916,564,738	2,113,575,467	(88,636,529)	16,941,503,676		4,339,767,552	581,121,450	(62,430,476)	4,858,458,526	12,083,045,150
- revaluation surplus	5,188,683,530	-	(37,227,343)	5,151,456,187	5	2,174,927,222	150,213,531	(14,880,600)	2,310,260,153	2,841,196,034
	20,105,248,268	2,113,575,467	(125,863,872)	22,092,959,863		6,514,694,774	731,334,981	(77,311,076)	7,168,718,679	14,924,241,184
				-					-	
Electric fittings and installations										
- cost	728,335,788	108,973,085	(1,410,459)	835,898,414		211,990,784	27,293,105	(418,729)	238,865,160	597,033,254
- revaluation surplus	1,177,825,576	-	-	1,177,825,576	5	445,343,728	36,654,468	-	481,998,196	695,827,380
	1,906,161,364	108,973,085	(1,410,459)	2,013,723,990		657,334,512	63,947,573	(418,729)	720,863,356	1,292,860,634
				-					-	
Sui gas installations										
- cost	14,020,862	-	-	14,020,862		7,401,945	330,946	-	7,732,891	6,287,971
- revaluation surplus	13,612,858	-	-	13,612,858	5	7,236,431	318,821	-	7,555,252	6,057,606
	27,633,720	-	-	27,633,720		14,638,376	649,767	-	15,288,143	12,345,577
Tools, laboratory equipment and arms										
- cost	109,081,674	488,669	-	109,570,343		23,634,287	4,404,108	-	28,038,395	81,531,948
- revaluation surplus	283,583,867	-	-	283,583,867	5	149,642,510	6,692,751	-	156,335,261	127,248,606
	392,665,541	488,669	-	393,154,210		173,276,797	11,096,859	-	184,373,656	208,780,554
Fire extinguishing equipment and scales										
- cost	14,687,810	2,091,884	-	16,779,694		7,073,861	390,915	-	7,464,776	9,314,918
- revaluation surplus	46,241,510	-	-	46,241,510	5	22,453,639	1,189,123	-	23,642,762	22,598,748
	60,929,320	2,091,884	-	63,021,204		29,527,500	1,580,038	-	31,107,538	31,913,666
Office equipments	51,229,041	4,338,144	(859,550)	54,707,635	10	22,009,727	3,015,479	(405,735)	24,619,471	30,088,164
Furniture and fittings	27,341,404	2,843,863	-	30,185,267	10	12,775,160	1,548,507	-	14,323,667	15,861,600
Vehicles	196,096,191	27,839,095	(12,791,245)	211,144,041	20	124,685,505	15,790,586	(10,286,775)	130,189,316	80,954,725
2019	36,012,662,473	2,573,030,564	(140,925,126)	38,444,767,911		10,630,482,195	1,158,717,195	(88,422,315)	11,700,777,075	26,743,990,836

18.1.1 Depreciation for the year has been allocated as under:

	Note	2020 Rupees	2019 Rupees
Cost of sales	*31*	**1,200,507,840**	1,126,945,247
Administrative expense	*33*	**38,844,228**	31,771,948
		1,239,352,068	1,158,717,195

18.1.2 Additions in operating fixed assets represents transfer from capital work-in-progress.

18.1.3 All assets of the Group as at 30 June 2020 are located in Pakistan.

18.1.4 The latest valuation of Group's assets was carried out on 28 February 2018. The category wise gross revalued amounts along with forced sale values, as at that date, are given below:

	Gross revalued amount	Forced sales value
	Rupees	
Freehold land	3,895,000,000	3,115,995,482
Factory building on free hold land	3,412,299,132	2,729,763,049
Non-factory building on free hold land	2,585,200,868	2,068,117,076
Plant and machinery	13,425,150,000	10,739,782,745
Electric fittings and installations	1,266,700,000	1,013,343,865
Sui gas installations	13,221,897	10,578,000
Tools, laboratory equipment and arms	223,285,495	178,626,044
Fire fighting and weighing scales	31,992,608	25,593,739
	24,852,850,000	**19,881,800,000**

18.1.5 Particulars of immoveable fixed assets (i.e. land and building) in the name of the Group are as follows:

Particulars	Location	Total Area
Free hold land (Manufacturing Unit)	Jhang Road, Muzaffargarh	588 kanal and 11.5 marlas
Free hold land (Residential Colony)	Jhang Road, Muzaffargarh	107 kanal and 15 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	588 kanal and 9.6 marlas
Free hold land (Residential Colony)	Qadirpur Rawan bypass Khanewal Road, Multan	92 kanal and 8 marlas
Free hold land (Manufacturing Unit)	Qadirpur Rawan bypass Khanewal Road, Multan	167 Kanal and 4 marlas
Free hold land (Administrative Storage Unit)	Sarwar Road, Multan	15 marlas
Free hold land	Bahawalpur Road, Multan	7 kanal and 9 marlas

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under right of use asset, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.

18.2 The following assets were disposed of during the year

	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds/ Insurance claim	Gain/ (loss)	Mode of disposal	Particulars of purchaser	Relationship
	----------	----------	Rupees	----------	----------			
Plant and machinery								
Ring Frames RY4 Toyoda 480s	9,267,186	7,082,069	2,185,117	555,000	(1,630,117)	Negotiation	Mr. Annas Bilal	Third party
Ring Frames RY4 Toyoda 480s	9,267,186	7,091,212	2,175,974	555,000	(1,620,974)	Negotiation	Mr. Annas Bilal	Third party
Lycra Attachment Ring EJM-128 480s	6,084,700	3,723,741	2,360,959	187,500	(2,173,459)	Negotiation	Mr. Khalid	Third party
Simplex Frames HY491 120s	9,705,550	4,156,239	5,549,311	775,000	(4,774,311)	Negotiation	Mr. Annas Bilal	Third party
Drawing Machine DHY-500C	3,069,352	1,855,341	1,214,011	225,000	(989,011)	Negotiation	Mr. Annas Bilal	Third party
Simplex Machine FL-16 Toyoda	691,966	517,996	173,970	412,500	238,530	Negotiation	Mr. Bilal	Third party
	38,085,940	**24,426,598**	**13,659,342**	**2,710,000**	**(10,949,342)**			
Office equipments								
Various assets having net book value upto Rs. 500,000 each	644,696	308,572	336,124	457,000	120,876	Negotiation		
Electric Fitting & Installation								
Various assets having net book value upto Rs. 500,000 each	791,934	281,006	510,928	473,800	(37,128)	Negotiation		
2020	**39,522,570**	**25,016,176**	**14,506,394**	**3,640,800**	**(10,865,594)**			
2019	140,925,126	88,422,315	52,502,811	18,001,131	(34,501,680)			

		Note	2020 Rupees	2019 Rupees
18.3	**Capital work-in-progress - *cost***			
	Balance as at 01 July		**485,297,361**	323,351,874
	Additions during the year		**2,152,350,152**	2,734,976,051
	Transfers during the year	*18.1*	**(2,332,669,103)**	(2,573,030,564)
	Balance as at 30 June	*18.3.1*	**304,978,410**	485,297,361
18.3.1	**Breakup of capital work-in-progress:**			
	Factory building on free hold land			
	Material and expenses		**22,477,370**	106,641,634
	Advance payments		**14,617,445**	34,211,429
			37,094,815	140,853,063
	Non-factory building on free hold land			
	Material and expenses		**42,903,174**	42,151,611
	Plant and machinery			
	Cost and expenses		**7,813,168**	3,511,850
	Advance payments		**38,634,615**	14,066,590
	Letters of credit		**171,883,925**	257,521,850
			218,331,708	275,100,290
	Tools, laboratory equipment and arms			
	Cost and expenses		**385,600**	385,600
	Electric fittings and Installations - Advance payments		**1,700,061**	20,108,438
	Office equipment - Advance payments		**798,778**	1,458,975
	Furniture - Advance payments		**128,287**	-
	Vehicles - Advance payments		**3,635,987**	5,239,384
			304,978,410	485,297,361

		Note	2020 Rupees	2019 Rupees
19	**Long term investments**			
	At fair value through OCI			
	Fatima Fertilizer Company Limited - quoted	*19.1*	**1,683,830,449**	1,880,371,825
	Multan Real Estate (Private) Limited	*19.2*	**33,358,054**	30,381,647
			1,717,188,503	1,910,753,472
	Associated companies - at equity method			
	Fatima Energy Limited - unquoted		**1,268,905,404**	1,195,501,266
	Fatima Transmission Company Limited - unquoted		**26,050,673**	26,075,668
	Fatima Electric Company Limited - unquoted		**18,605**	23,605
		19.3	**1,294,974,682**	1,221,600,539
			3,012,163,185	3,132,354,011

	Note	Shares 30 June 2020	Shares 30 June 2019	Market value 30 June 2020	Market value 30 June 2019	Market value per share 30 June 2020	Market value per share 30 June 2019	Percentage of holding 30 June 2020	Percentage of holding 30 June 2019
		Number		Rupees		Rupees			
19.1 At fair value through OCI									
Fatima Fertilizer Company Limited - quoted	*19.1.1*	**62,994,031**	62,994,031	**1,683,830,449**	1,880,371,825	**26.73**	29.85	**3.00%**	3.00%

19.1.1 The investment in Fatima Fertilizer Company Limited '(FFCL)' has been designated as fair value through OCI under IFRS 9. FFCL is an associated undertaking of the Group as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Group does not have significant influence on FFCL.

19.2 This represents 9.96% ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity. The latest valuation was based on present market value of property of MREPL.

	Note	Shares 30 June 2020	Shares 30 June 2019	Carrying value 30 June 2020	Carrying value 30 June 2019	Percentage of holding 30 June 2020	Percentage of holding 30 June 2019
		Number		Rupees			
					Restated		
19.3 Associated companies with significant influence - at equity method							
Fatima Energy Limited - unquoted	*19.3.1*	**108,300,000**	137,421,349	**853,703,630**	1,195,501,266	**19.00%**	24.11%
Impact of discounting	*20.1*	**-**	-	**415,201,774**	-		
		108,300,000	137,421,349	**1,268,905,404**	1,195,501,266		
Fatima Transmission Company Limited - unquoted	*19.3.2*	**5,520,000**	5,520,000	**26,050,673**	26,075,668	**24.00%**	24.00%
Fatima Electric Company Limited - unquoted	*19.3.3*	**7,000**	7,000	**18,605**	23,605	**20.00%**	20.00%
		113,827,000	142,948,349	**1,294,974,682**	1,221,600,539		

19.3.1 Fatima Energy Limited (FEL), was incorporated in Pakistan on June 22, 2004 as a public company under the Companies Act, 2017. The principal activity of FEL is to operate and maintain a co-generation power plant of 120 MW. FEL is subsidiary of Fatima Holding Limited, which holds 51.59% shares of FEL.

On 16 June 2020, 29.12 million shares (5.11%) were sold to an independent third party at par value. The Group's investment is less than 20% but it is considered to be an associate as per the requirements of IAS - 28 "Investments in Associates" because the Group has significant influence over its financial and operating policies through representation on the Board.

19.3.2 Fatima Transmission Company Limited (FTCL), was incorporated in Pakistan on December 26, 2014 as a public limited company under the Companies Act, 2017. The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power.

19.3.3 Fatima Electric Company Limited (FECL) was incorporated in Pakistan on February 29, 2016 as a public limited company under the Companies Act, 2017. The principal activity of FECL is to carry on supplying, generating, distributing and dealing in electricity and all forms of energy and power generated by any source.

19.4 Investments of the Holding Company in associated companies has been accounted for under equity method of accounting based on its un-audited management financial statements for the year ended at 30 June 2020.

19.4.1 Reconciliation of carrying value of investments in associated companies accounted for under equity method:

	Note	2020		
		FEL (Un-audited)	**FTCL (Un-audited)**	**FECL (Un-audited)**
		Rupees		
Cost of investment		**1,374,213,490**	**55,200,000**	**70,000**
Impact of discounting	*20.1*	**415,201,774**	**-**	**-**
		1,789,415,264	**55,200,000**	**70,000**
Company`s share of loss - post acquisition :				
Balance at 01 July		**(178,712,224)**	**(29,124,332)**	**(46,395)**
Statement of profit or loss				
- share of loss		**(111,283,799)**	**(24,995)**	**(5,000)**
- share of tax		-	-	-
		(111,283,799)	**(24,995)**	**(5,000)**
Share of other comprehensive loss		-	-	-
		(289,996,023)	**(29,149,327)**	**(51,395)**
Carrying amount		**1,499,419,241**	**26,050,673**	**18,605**
Carrying amount of equity instruments disposed off	*19.3.1*	**(230,513,837)**	**-**	**-**
Net investment at 30 June		**1,268,905,404**	**26,050,673**	**18,605**

	2019		
	FEL (Audited)	FTCL (Audited)	FECL (Audited)
	Rupees		
	Restated		
Cost of investment	1,374,213,490	55,200,000	70,000

	Note	2019 FEL (Audited)	2019 FTCL (Audited)	2019 FECL (Audited)
		---------------- Rupees ----------------		
Company`s share of loss - post acquisition :				
Balance at 01 July		(84,400,173)	(13,507,133)	(40,388)
Statement of profit or loss				
- share of loss	5	(94,543,507)	(15,617,199)	(6,007)
- share of tax		(223,259)	-	-
		(94,766,766)	(15,617,199)	(6,007)
Share of other comprehensive income		454,715	-	-
Balance at 30 June		(178,712,224)	(29,124,332)	(46,395)
Net investment at 30 June		1,195,501,266	26,075,668	23,605

19.4.2 Summarized financial information in respect of associated companies on the basis of financial statements for the year ended 30 June 2020 and 2019 are set out below:

	Note	**2020 FEL (Un-audited)**	**2020 FTCL (Un-audited)**	**2020 FECL (Un-audited)**
		---------------- Rupees ----------------		
Non current assets		**32,516,645,000**	**811,275,899**	**-**
Current assets		**1,221,403,000**	**1,326,486**	**118,025**
Non current liabilities		**(16,819,109,000)**	**(263,158,347)**	**-**
Current liabilities		**(12,425,762,000)**	**(440,899,566)**	**(25,000)**
Net assets - 100%		**4,493,177,000**	**108,544,472**	**93,025**
Percentage ownership interest		**19.00%**	**24.00%**	**20.00%**
Group's share of net assets		**853,703,630**	**26,050,673**	**18,605**
Adjustment due to discounting	*20.1*	**415,201,774**	**-**	**-**
		1,268,905,404	**26,050,673**	**18,605**
Carrying amount of interest in associated company		**1,268,905,404**	**26,050,673**	**18,605**
Loss for the year from operations		**(465,350,000)**	**(104,145)**	**(25,000)**
Other comprehensive loss		**-**	**-**	**-**
		(465,350,000)	**(104,145)**	**(25,000)**
Group's share of - *post acquisition*		**(111,283,799)**	**(24,995)**	**(5,000)**

	2019		
	FEL (Audited)	FTCL (Audited)	FECL (Audited)
	- - - - - - - - - - - - - - - -	Rupees	- - - - - - - - - - - - - - - -
	Restated		
Non current assets	29,571,646,000	719,176,946	-
Current assets	1,322,711,000	856,187	143,025
Non current liabilities	(15,118,048,000)	(315,789,925)	(25,000)
Current liabilities	(10,817,783,000)	(295,594,591)	-
Net assets - 100%	4,958,526,000	108,648,617	118,025
Percentage ownership interest	24.11%	24.00%	20.00%
Group's share of net assets	1,195,501,266	26,075,668	23,605
Carrying amount of interest in associated company	1,195,501,266	26,075,668	23,605
Loss for the year from operations	(392,134,000)	(65,071,661)	(30,035)
Share of tax	(926,000)	-	-
Other comprehensive income	1,886,000	-	-
	(391,174,000)	(65,071,661)	(30,035)
Group's share of - *post acquisition*	(94,312,051)	(15,617,199)	(6,007)

20 **Long term advance to associates**	*Note*	**2020 Rupees**	2019 Rupees
Fatima Energy Limited	*20.1*	**2,635,370,514**	1,840,408,522
Pak Arab Energy Limited		**25,904,160**	25,904,160
Fatima Transmission Company Limited		**72,427,033**	38,811,585
	20.2	**2,733,701,707**	1,905,124,267

20.1 Fatima Energy Limited

Long term advance to associates	*20.2*	**2,497,908,522**	1,840,408,522
Mark-up accrued (interest free)		**552,663,766**	-
Less: impact of discounting		**(415,201,774)**	
Balance as at 30 June	*20.1.1*	**2,635,370,514**	**1,840,408,522**

20.1.1 Pursuant to restructuring of FEL's borrowings with financial institutions along with related subordination of borrowings from sponsors, the Holding Company has entered into a restructuring agreement with FEL for rescheduling the repayment of principal and related markup as approved by the Board of Directors of both the companies. As per the revised agreement, principal and markup accrued are subordinated and are now repayable from financial year 2026. Accordingly, markup accrued from FEL uptil 30 June 2020 has been classified as non-current. The loan and related markup (interest free) have been measured at fair value by discounting the cash flows at the rate of average borrowing cost of the Company (8.94%) and the resulting adjustment has been included in the cost of investment as referred to in note 19.3.

20.2 These represents loans disbursed to meet the working capital requirements, operational/ capital nature needs of the associated companies. These loans carries markup at the rate of average borrowing cost of the Holding Company. Effective markup rate charged by the Holding Company during the year ranges from 9.86% to 15.31% per annum (2019: 8.53% to 14.29% per annum). As per the agreements, these loans are repayable within 10 years from the date of disbursement starting from financial year 2022.

20.3 Maximum outstanding balance with reference to month end balances:

	2020	2019	**2020**	2019
	Month	Month	**Rupees**	Rupees
Pak Arab Energy Limited	**Jul-19**	Jul-18	**25,904,160**	25,904,160
Fatima Transmission Company Limited	**Feb-20**	Jan-19	**72,427,033**	38,811,585
Fatima Energy Limited	**Jun-20**	Jun-19	**2,497,908,522**	1,840,408,522

21 Stores, spares and loose tools

	Note	**2020**	2019
		Rupees	Rupees
Stores		**138,994,090**	162,769,627
Spares [In-transit: Rs. 95.18 million (2019: 108.79 million)		**561,916,567**	600,190,369
Loose tools		**298,108**	571,800
		701,208,765	763,531,796
Provision for slow moving items		**(1,770,316)**	(1,770,316)
		699,438,449	761,761,480

22 Stock-in-trade

	Note	**2020**	2019
Raw material [In-transit: Rs. 672.30 million (2019: Rs 1,131.06 million)]		**9,441,518,946**	10,778,926,772
Work-in-process		**439,889,015**	410,363,326
Finished goods			
Yarn	*22.1*	**3,817,096,653**	1,301,892,220
Fabric		**805,338,028**	542,110,000
		4,622,434,681	1,844,002,220
		14,503,842,642	13,033,292,318

22.1 An amount of Rs. 28 million (2019: Rs. Nil) has been charged in the consolidated statement of profit or loss, on closing stock of yarn, as an adjustment of net realizable value (NRV) in accordance with the requirements of IAS 2.

23 Trade debts

	Note	2020 Rupees	2019 Rupees
Export debtors - secured against letters of credit:			
Considered good		**1,820,507,561**	2,932,832,064
Local debtors - unsecured			
Related parties - considered good	*21.1 & 21.3*	**293,998,651**	198,819,797
Others - considered good		**3,031,074,635**	3,000,653,234
Others - considered doubtful		**40,337,838**	28,943,784
		3,365,411,124	3,228,416,815
Allowance for impairment of trade debts	*23.4*	**(40,337,838)**	(28,943,784)
		5,145,580,847	6,132,305,095

23.1 Trade debts due from following related parties on account of trading activities.

	2020 Rupees	2019 Rupees
Reliance Weaving Mills Limited	**19,158,901**	5,619,336
Fazal Rehman Fabrics Limited	**274,839,750**	171,312,902
Ahmad Fine Textile Mills Limited	**-**	17,473,005
Fatima Fertilizer Company Limited	**-**	4,414,554
	293,998,651	198,819,797

23.2 Maximum outstanding balance with reference to month end balances:

	2020 Month	2019 Month	2020 Rupees	2019 Rupees
Fazal Rehman Fabrics Limited	**Apr-20**	Aug-18	**930,701,299**	477,212,317
Reliance Weaving Mills Limited	**May-20**	Nov-18	**26,081,856**	27,822,642
Ahmad Fine Textile Mills Limited	**Jun-20**	Jun-19	**78,470,324**	197,940,000
Fatima Fertilizer Company Limited	**Jul-19**	Jul-18	**4,414,554**	4,414,554

23.3 The ageing analysis of trade debts from related parties is as follows:

	2020 Rupees	2019 Rupees
Not yet due	**96,883,649**	165,117,949
1 to 30 days	**162,594,397**	27,642,152
30 to 150 days	**32,723,214**	1,580,000
150 days and above	**1,797,391**	4,479,696
	293,998,651	198,819,797

23.4 The movement in allowance for impairment of trade debts is as follows:

	Note	2020 Rupees	2019 Rupees
Balance as at 01 July		**28,943,784**	8,856,467
Loss allowance for the year		**11,394,054**	20,087,317
Balance as at 30 June		**40,337,838**	28,943,784

24 Loans and advances

Considered good

	Note	2020 Rupees	2019 Rupees
Advances to suppliers and contractors - unsecured	*24.1*	**190,848,652**	84,579,089
Advances to employees against salaries - secured		**1,179,435**	1,495,770
LC deposits for imports		**12,502,087**	6,671,305
		204,530,174	92,746,164

24.1 These are interest free in the normal course of business.

25 Deposits, prepayments and other receivable

	Note	2020 Rupees	2019 Rupees
Deposits against LC margin		**13,162,153**	9,812,086
Prepayments		**814,654**	59,001,617
Import claim receivable from supplier		**51,445,397**	38,617,310
Duty drawback receivable	*25.1*	**259,472,978**	263,540,133
Dividend receivable - Fatima Fertilizer Company Limited		**138,228,062**	-
Other receivable		**2,311,516**	3,698,380
		465,434,760	374,669,526

25.1 This represents Duty Drawback receivable on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters which was applicable till 30 June 2018.

		Note	2020 Rupees	2019 Rupees
26	**Mark-up accrued**			
	Mark-up accrued on:			
	Associated Companies - *FEL*		**552,663,766**	244,624,415
	Associated Companies - *others*		**29,338,656**	16,705,475
	Transferred to long term loans and advances - *FEL*	*20.1*	**(552,663,766)**	-
		26.1	**29,338,656**	261,329,890

26.1 Mark-up is accrued on the basis as described in note 20.2 of these consolidated financial statements

		2020 Rupees	2019 Rupees
27	**Short term investment**		
	Investment at fair value through profit or loss		
	Fatima Fertilizer Company Limited - quoted		
	6,120,000 (2019: 6,120,000) fully paid		
	ordinary shares of Rs. 10 each		
	Equity held 0.29% (2019: 0.29%)	**163,587,600**	182,682,000

27.1 Movement in short term investment at fair value through profit or loss is as follows:

	2020 Rupees	2019 Rupees
Market value as at 01 July	**182,682,000**	198,288,000
Unrealized fair value loss on re-measurement of investments	**(19,094,400)**	(15,606,000)
Market value as at 30 June	**163,587,600**	182,682,000

27.2 FFCL is an associated undertaking of the Group as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through profit or loss. The Group does not have significant influence on FFCL.

		Note	2020 Rupees	2019 Rupees
28	**Tax refunds due from the Government - net**			
	Sales tax		**241,713,833**	931,368,092
	Income tax - net		**71,989,279**	304,383,326
			313,703,112	1,235,751,418
29	**Cash and bank balances**			
	Cash in hand		**17,990,118**	22,664,075
	Cash at banks			
	- Current accounts		**280,808,769**	176,809,454
	- Saving accounts	*29.1*	**50,133**	2,509
			280,858,902	176,811,963
			298,849,020	199,476,038

29.1 Rate of interest and mark up on saving accounts ranges from 10.00% to 11.65% (2019: 4.44% to 10.06%) per annum.

		Note	2020 Rupees	2019 Rupees
30	**Revenue - *net***			
	Local:			
	Yarn		**22,510,731,518**	21,981,368,072
	Fabric		**6,532,157,274**	5,493,336,795
	Waste		**644,595,940**	617,721,628
	Comber noil		**108,917,183**	193,783,503
			29,796,401,915	28,286,209,998
	Cotton and other products		**109,250,568**	13,548,878
			29,905,652,483	28,299,758,876
	Less:			
	Sales return		**159,426,213**	73,092,353
	Sales tax	*30.1*	**4,462,993,859**	96,732,754
			4,622,420,072	169,825,107
	Net local sales		**25,283,232,411**	28,129,933,769
	Indirect export:			
	Yarn		**2,654,434,786**	1,447,529,966
	Fabric		**15,139,723**	-
			2,669,574,509	1,447,529,966
	Less: Sales tax on SPO sales		**140,700,211**	-
		30.2	**2,528,874,298**	1,447,529,966
	Export:			
	Yarn		**10,477,805,309**	9,789,645,456
	Fabric		**1,245,451,118**	1,329,769,177
	Comber noil		**178,371,800**	216,850,480
			11,901,628,227	11,336,265,113
	Revenue from contracts with customers		**39,713,734,936**	40,913,728,848

30.1 Effective from 01 July 2019, all local textile products which were previously charged sales tax at 0% have now been subject to sales tax at 17%. Further tax at the rate of 1% was charged till 30 June 2019 on sale of yarn to unregistered persons with effect from 01 July 2017 under SRO 1125(1)/2011 amended vide SRO 584(1)/ 2017, dated 01 July 2017 which has been withdrawn through Finance Act, 2019 by restoring standard rate of sales tax.

30.2 It includes sales made to direct exporters against Standard Purchase Order (SPOs) amounting to Rs. 968.34 million (2019: Rs Nil) and Duty and Tax Remission for Exports ("DTRE") to a related party under S.R.O 185(I)/ 2001 dated 21 March 2001, amounting to Rs. 1,701.22 million (2019: Rs. 1,447.53 million).

31 Cost of sales

	Note	2020 Rupees	2019 Rupees
Raw material consumed	*31.1*	**27,123,776,726**	25,630,148,858
Packing material consumed		**489,401,586**	453,101,276
Salaries, wages and benefits	*31.2*	**2,148,208,192**	2,229,664,467
Freight outward charges	*31.3*	**279,241,816**	244,153,860
Travelling and conveyance		**12,994,295**	19,703,835
Power and fuel		**3,468,642,431**	3,260,625,666
Stores and spares consumed		**879,700,289**	700,311,755
Repair and maintenance		**51,936,841**	47,909,569
Vehicle running and maintenance		**18,814,216**	12,098,565
Insurance		**83,411,883**	77,700,848
Processing charges		**9,413,278**	876,047
Depreciation on property, plant and equipment	*18.1.1*	**1,200,507,840**	1,126,945,247
Others		**2,388,059**	2,236,237
		35,768,437,452	33,805,476,230
Work-in-process :			
Balance at 01 July		**410,363,326**	359,035,028
Balance at 30 June		**(439,889,015)**	(410,363,326)
		(29,525,689)	(51,328,298)
Cost of goods manufactured		**35,738,911,763**	33,754,147,932
Finished goods :			
Balance at 01 July		**1,844,002,220**	1,945,763,131
Finished goods purchased		**2,099,570,058**	2,005,392,194
Balance at 30 June		**(4,622,434,681)**	(1,844,002,220)
		(678,862,403)	2,107,153,105
Cost of goods sold		**35,060,049,360**	35,861,301,037
Cost of raw material sold		**92,451,979**	37,643,829
		35,152,501,339	35,898,944,866

	Note	2020 Rupees	2019 Rupees
31.1 Raw material consumed			
Raw material as at 01 July		**10,778,926,771**	8,052,539,544
Purchases related expenses		**25,201,914,419**	27,677,078,088
Transfer from ginning unit	*31.1.1*	**584,454,482**	679,457,997
		25,786,368,901	28,356,536,085
		36,565,295,672	36,409,075,629
Raw material as at 30 June		**(8,769,220,876)**	(9,647,890,818)
Stock-in-transit		**(672,298,070)**	(1,131,035,953)
		(9,441,518,946)	(10,778,926,771)
		27,123,776,726	25,630,148,858

	2020 Rupees	2019 Rupees
31.1.1 Production cost of ginning unit - *net*		
Raw material purchased and consumed	**746,701,340**	832,263,565
Power and fuel	**5,934,313**	5,811,536
Lease charges	**1,250,000**	1,250,000
Salaries, wages and benefits	**7,554,501**	7,384,714
Travelling and conveyance	**425,119**	1,563,547
Repair and maintenance	**1,679,335**	1,430,022
Store consumption	**1,523,800**	1,669,441
Utilities	**45,158**	80,993
Entertainment	**714,995**	1,026,814
Rent, rate and taxes	**916,308**	213,650
Printing and stationery	**54,100**	44,200
Communication	**24,000**	25,910
Insurance	**974,588**	624,055
Others	**164,536**	249,732
	767,962,093	853,638,179
Sale of cotton seed	**(183,507,611)**	(174,180,182)
Transferred to raw material consumed	**584,454,482**	679,457,997

31.1.2 The Holding Company has acquired a cotton ginning factory from Hussain Ginneries Limited 'an associated undertaking' on lease renewable annually. Its total cost of production, after adjustment of sale of cotton seed to third parties, has been transferred to the Holding Company as raw material cost.

31.2 These include Rs. 134.09 million (2019: Rs. 127.52 million) in respect of staff retirement benefits.

31.3 This includes freight on export sales amounting to Rs. 229.81 million (2019: Rs. 196.43 million) and local freight on local sales amounting to Rs. 49.43 million (2019: Rs. 47.72 million)

32 Selling and distribution expenses	*Note*	**2020 Rupees**	2019 Rupees
Export sales:			
Export development surcharge		**30,987,898**	30,046,224
Insurance		**4,052,769**	1,898,449
Commission		**219,760,403**	116,179,866
Local sales:			
Insurance		**4,185,724**	3,501,349
Salaries and benefits - *marketing staff*	*32.1*	**29,114,478**	22,463,401
Commission		**94,240,730**	87,680,359
		382,342,002	261,769,648

32.1 These include Rs. 1.84 million (2019: Rs. 2.09 million) in respect of staff retirement benefits.

33 Administrative expenses	*Note*	**2020 Rupees**	2019 Rupees
Salaries and benefits	*33.1*	**152,672,011**	148,039,228
Traveling and conveyance	*33.2*	**15,106,612**	11,799,821
Vehicle running and maintenance		**26,714,928**	25,771,526
Rent, rates, taxes and fees		**18,022,359**	19,902,351
Electricity, gas and water		**7,361,617**	4,863,243
Entertainment/ guest house expenses		**16,396,031**	19,643,816
Communication		**12,250,888**	12,360,296
Printing and stationery		**10,415,063**	8,158,369
Insurance		**5,667,546**	5,946,837
Repair and maintenance		**21,577,278**	20,533,445
Subscription/ advertisement		**1,076,875**	2,538,506
Auditors' remuneration	*33.3*	**2,950,000**	2,316,155
Legal and professional charges		**9,074,877**	8,407,722
Depreciation on property, plant and equipment	*18.1.1*	**38,844,228**	31,771,948
Others		**7,873,368**	15,987,031
		346,003,681	338,040,294

33.1 These include Rs. 8.22 million (2019: Rs. 13.58 million) in respect of staff retirement benefits.

33.2 These include Directors' traveling expense of Rs. 6.31 million (2019: Rs. 1.43 million).

		Note	2020 Rupees	2019 Rupees
33.3	**Auditors' remuneration**			
	Fee for statutory audit of			
	- *the Holding Company*		**1,600,000**	1,100,000
	- *the Subsidiary Company*		**500,000**	500,000
	Six month review of the Holding Company		**550,000**	500,000
	Out of pocket expenses		**300,000**	216,155
			2,950,000	2,316,155

34 Other expenses

	Note	2020 Rupees	2019 Rupees
Workers' Profit participation fund	*14.3*	**51,639,012**	133,481,782
Workers welfare fund	*14.4*	**12,365,783**	22,372,534
Loss on disposal of property, plant and equipment	*18.2*	**10,865,594**	34,501,680
Allowance for impairment of trade debts	*23.4*	**11,394,054**	20,087,317
Unrealized loss on re-measurement of short term investments at fair value	*27.1*	**19,094,400**	15,606,000
Donations	*34.1*	**17,673,457**	12,757,470
Exchange loss - net	*34.2*	**507,740,531**	-
Sales tax receivable written off		**-**	7,742,484
		630,772,831	246,549,267

34.1 Donations for the year have been given to:

	Note	2020 Rupees	2019 Rupees
Fazal Rehman Foundation	*34.1.1*	**4,652,600**	3,290,070
Friends of Cardiology Foundation Multan	*34.1.2*	**4,228,650**	3,266,773
Taary Zameen Par	*34.1.2*	**456,400**	100,000
All Pakistan Textile Mills Association	*34.1.3*	**2,050,000**	-
S.O.S Children Village Multan		**840,000**	840,000
Al-Noor Special Children School Multan		**600,000**	450,000
Punjab Social Security Health Management Company Hospital Muzaffargarh		**-**	950,000
Others	*34.1.4*	**4,845,807**	3,860,627
		17,673,457	12,757,470

34.1.1 Mr. Rehman Naseem Ahmad (Chief Executive Officer) and Mr. Naseem Ahmad (Chairman) are amongst the trustees of the Fazal Rehman Foundation.

34.1.2 Mr. Rehman Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Friends of Cardiology Foundation Multan and Mr. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

34.1.3 Donations paid to All Pakistan Textile Mills Association for COVID-19.

34.1.4 Others' includes donations paid to various institutions. The aggregate amount paid during the year to a single institution is not exceeding 0.5 million.

34.2 Breakup of exchange loss is as follows:

	2020	
	Realized	**Unrealized**
Imports	**19,502,946**	**3,644,362**
Exports	**107,097,051**	**(62,125,595)**
Forward contracts	**33,180,164**	**30,205,000**
Foreign currency export finance	**70,497,669**	**305,738,934**
	230,277,830	**277,462,701**

35 Other income

	Note	2020 Rupees	2019 Rupees
Income from financial assets			
Dividend income	*35.1*	**138,228,062**	120,949,554
Mark-up on advance to associated undertaking	*26.1*	**320,672,533**	179,990,832
Exchange gain - *net*		**-**	510,385,396
Gain on disposal of equity instruments of associate		**60,699,653**	-
		519,600,248	811,325,782
From non-financial assets			
Scrap sales		**17,524,799**	11,731,527
		537,125,047	823,057,309

35.1 This represent annual dividend for the year ended 31 December 2019 declared by Fatima Fertilizer Limited 'an associated undertaking'.

36 Share of loss from associates - net

	Note	2020 Rupees	2019 Rupees *Restated*
Share of loss from associated companies			
- Fatima Energy Limited		**111,283,799**	94,543,507
- Fatima Transmission Company Limited		**24,995**	15,617,199
- Fatima Electric Company Limited		**5,000**	6,007
		111,313,794	110,166,713

37 Finance cost

	Note	2020 Rupees	2019 Rupees
Mark-up based loans from conventional banks:			
- Long term financing - *secured*		**1,056,870,333**	748,514,995
- Short term borrowings - *secured*		**1,244,092,012**	1,140,752,257
		2,300,962,345	1,889,267,252
Islamic mode of financing:			
- Musharika - *secured*		**388,644,357**	204,376,503
- Short term borrowings - *secured*		**134,706,590**	134,929,296
		523,350,947	339,305,799
Bank charges		**81,331,959**	93,870,527
Interest on workers' profit participation fund	*14.3*	**28,906,392**	11,596,314
Markup on lease liability		**10,236,151**	-
		2,944,787,794	2,334,039,892

		2020	2019
38	**Taxation**	**Rupees**	Rupees
	Current tax		
	- *for the year*	**547,303,207**	426,131,405
	- *prior year*	**-**	(19,439,942)
		547,303,207	406,691,463
	Deferred tax		-
	- *for the year*	**80,054,852**	598,619,892
		80,054,852	1,005,311,355
	Associated companies	**-**	223,259
		627,358,059	1,005,534,614

38.1 The tax provision is charged by considering the provision of section 113, 154 and other tax credits available, under group taxation as per the requirements of Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Group's tax liability in respect of income arising from such source.

38.2 Numerical reconciliation between tax expense and accounting profit:

	2020	2019
	Rupees	Rupees
Profit before tax	**683,138,542**	**2,547,275,477**
Applicable tax rate	**29%**	29%
Tax at the applicable tax rate	**198,110,177**	738,709,888
Tax effect of amounts that are:		
- Change in proration rate and tax rate	**7,648,557**	286,133,691
- Prior year adjustment	**-**	(19,439,942)
- Minimum tax and final tax regime	**416,363,764**	62,858,388
- Permanent differences	**5,235,561**	6,956,710
- Tax credits under section 65B	**-**	(107,793,605)
- Super tax under section 4B	**-**	38,109,484
Tax charged to statement of profit or loss	**627,358,059**	1,005,534,614

39 Earnings per share - *basic and diluted*

39.1 Basic earnings per share

		2020	2019
		Rupees	Rupees
Profit after taxation	***Rupees***	**55,780,483**	1,541,740,863
Weighted average number of ordinary shares	***No. of shares***	**30,000,000**	30,000,000
Earnings per share	***Rupees***	**1.86**	51.39

39.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Group has no such commitments.

40 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	Financial assets at amortized cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2020	Rupees								
Financial assets - measured at fair value									
Short term investment	-	163,587,600	-	-	163,587,600	163,587,600	-	-	163,587,600
Long term investments	-	-	1,717,188,503	-	1,717,188,503	1,683,830,449	-	33,358,054	1,717,188,503
Financial assets - not measured at fair value									
Trade debts	5,145,580,847	-	-	-	5,145,580,847	-	-	-	-
Cash and bank balances	298,849,020	-	-	-	298,849,020	-	-	-	-
Long term deposits	24,128,493	-	-	-	24,128,493	-	-	-	-
Other receivable	189,673,459	-	-	-	189,673,459	-	-	-	-
Mark-up accrued - *associated companies*	29,338,656	-	-	-	29,338,656	-	-	-	-
Long term advances to associates	2,733,701,707	-	-	-	2,733,701,707	-	-	-	-
	8,421,272,182	163,587,600	1,717,188,503	-	10,302,048,285	1,847,418,049	-	33,358,054	1,880,776,103
Financial liabilities - not measured at fair value									
Long term financing - *secured*	-	-	-	12,392,810,608	12,392,810,608	-	-	-	-
Long term musharika - *secured*	-	-	-	2,897,859,414	2,897,859,414	-	-	-	-
Trade and other payables	-	-	-	2,692,707,211	2,692,707,211	-	-	-	-
Lease liability - *unsecured*	-	-	-	71,173,118	71,173,118	-	-	-	-
Unclaimed dividend	-	-	-	13,748,423	13,748,423	-	-	-	-
Short term borrowings - *secured*	-	-	-	11,537,224,217	11,537,224,217	-	-	-	-
Accrued mark-up	-	-	-	517,191,250	517,191,250	-	-	-	-
	-	-	-	30,122,714,241	30,122,714,241	-	-	-	-

	Carrying amount					Fair value			
	Financial assets at amortized cost	Fair value through Profit or loss	Fair value through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	----------	----------	----------	----------	Rupees	----------	----------	----------	----------
As at 30 June 2019									
Financial assets - measured at fair value									
Short term investment	-	182,682,000	-	-	182,682,000	182,682,000	-	-	182,682,000
Long term investments	-	-	1,910,753,472	-	1,910,753,472	1,880,371,825	-	30,381,647	1,910,753,472
Financial assets - not measured at fair value									
Trade debts	6,132,305,095	-	-	-	6,132,305,095	-	-		-
Cash and bank balances	199,476,038	-	-	-	199,476,038	-	-	-	-
Long term deposits	24,128,493	-	-	-	24,128,493	-	-	-	-
Other receivable	38,617,310	-	-	-	38,617,310	-	-	-	-
Mark-up accrued - *associated companies*	261,329,890	-	-	-	261,329,890	-	-	-	-
Long term advances to associates	1,905,124,267	-	-	-	1,905,124,267	-	-	-	-
	8,560,981,093	182,682,000	1,910,753,472	-	10,654,416,565	2,063,053,825	-	30,381,647	2,093,435,472
Financial liabilities - not measured at fair value									
Long term financing - *secured*	-	-	-	10,794,116,895	10,794,116,895	-	-	-	-
Long term musharika - *secured*	-	-	-	2,169,056,619	2,169,056,619	-	-	-	-
Trade and other payables	-	-	-	2,927,089,537	2,927,089,537	-	-	-	-
Unclaimed dividend	-	-	-	12,340,081	12,340,081	-	-	-	-
Short term borrowings - *secured*	-	-	-	12,299,901,368	12,299,901,368	-	-	-	-
Accrued mark-up	-	-	-	481,255,957	481,255,957	-	-	-	-
	-	-	-	28,683,760,457	28,683,760,457	-	-	-	-

41 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

41.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group’s risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The Group's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

41.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 10,284.06 million (2019: Rs. 10,631.70 million) are subject to credit risk.

Exposure to credit risk

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

	2020	2019
Financial assets at FVOCI	**Rupees**	Rupees
Long term investments	**1,717,188,503**	1,910,753,472
Financial assets at FVTPL		
Short term investment	**163,587,600**	182,682,000
Financial assets at amortized cost		
Long term loan and advances	**2,733,701,707**	1,905,124,267
Trade debts	**5,145,580,847**	6,132,305,095
Other receivable	**189,673,459**	38,617,310
Mark-up accrued - *associated companies*	**29,338,656**	261,329,890
Long term deposits	**24,128,493**	24,128,493
Bank balances	**280,858,902**	176,811,963
	8,403,282,064	8,538,317,018
	10,284,058,167	10,631,752,490

41.2 (a) *Other financial assets*

The credit quality of Group's investments can be assessed with reference to external credit rating agencies as follows:

Financial assets at FVOCI	Rating	2020 Rupees	2019 Rupees
Fatima Fertilizers Company Limited	AA-	**1,683,830,449**	1,880,371,825
Multan Real Estate (Private) Limited	N/A	**33,358,054**	30,381,647
Financial assets at FVTPL			
Fatima Fertilizers Company Limited	A1+	**163,587,600**	182,682,000
		1,880,776,103	2,093,435,472

41.2 (b) *Counterparties with external credit rating*

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Group. Following are the credit ratings of counterparties with external credit ratings:

Bank	Rating		Rating agency	2020	2019
	Short term	Long term		Rupees	Rupees
Allied Bank Limited	A-1+	AAA	PACRA	**3,442,383**	5,553,858
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**6,167,221**	39,773,992
MCB Bank Limited	A-1+	AAA	PACRA	**6,817,533**	26,812,785
Meezan Bank Limited	A-1+	AA+	JCR-VIS	**34,569,158**	-
UBL Bank Limited	A-1+	AAA	JCR-VIS	**2,392,788**	1,956,130
Standard Chartered Bank Pakistan Limited	A-1+	AAA	PACRA	**1,470,476**	1,060,501
Habib Bank Limited	A-1+	AAA	JCR-VIS	**42,337,155**	14,643,955
Soneri Bank Limited	A-1+	AA-	PACRA	**1,946,540**	1,546,531
Bank Al Falah Limited	A-1+	AA+	PACRA	**26,910,177**	13,195,960
Askari Bank Limited	A-1+	AA+	PACRA	**10,165,776**	55,157,053
The Bank of Punjab	A-1+	AA	PACRA	**111,751,928**	4,161,719
The Bank of Khyber	A-1	A	PACRA	**794,223**	1,045,220
Bank Al Habib Limited	A-1+	AA+	PACRA	**2,047,699**	935,451
Bank Islamic Limited	A-1	A+	PACRA	**2,323,669**	1,303,839
Dubai Islamic Bank Pakistan Limited	A-1+	AA	JCR-VIS	**1,724,895**	988,927
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	**1,590,290**	270,040
Faysal Bank Limited	A-1+	AA	PACRA	**12,440,263**	2,478,252
Samba Bank Limited	A-1	AA	JCR-VIS	**660**	660
Silk Bank Limited	A-2	A-	JCR-VIS	**73,295**	73,296
AlBaraka Bank Pakistan Limited	A-1	A	PACRA	**8,200,572**	-
Summit Bank Limited	Not available	Not available	JCR-VIS	**819,180**	2,198,234
JS Bank Limited	A-1+	AA-	PACRA	**2,873,021**	3,655,560
				280,858,902	176,811,963

41.2 (c) *Counterparties without external credit rating*

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Group has used two years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. These mainly include customers which are counter parties to trade debts. Out of total trade debts of Rs. 5,185.92 million (2019: Rs. 6,161.25 million), Rs. 1,820.51 million (2019: Rs. 2,932.83 million) are secured. The Group is exposed to credit risk. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 was determined as follows:

The aging of trade debts at the reporting date is:	2020 Gross carrying amount	2020 Loss Allowance	2019 Gross carrying amount	2019 Loss Allowance
	Rupees		Rupees	
Export debtors - secured				
Not past due	**1,820,507,561**	**-**	2,932,832,064	-
Local debtors				
Not past due	**2,391,918,363**	**919,023**	2,787,186,735	3,314,990
Past due				
1- 90 days	**744,401,802**	**632,122**	374,259,495	234,224
91 - 180 days	**161,764,982**	**2,748,643**	36,539,725	18,586
181 - 270 days	**20,519,026**	**6,968,697**	3,842,358	1,721,950
271 - 365 days	**20,519,026**	**8,992,032**	2,928,297	2,723,526
366 - above days	**26,287,925**	**20,077,321**	23,660,205	20,930,508
	5,185,918,685	**40,337,838**	6,161,248,879	28,943,784

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and shipments to the export customers are generally covered by letters of credit or other form of credit insurance.

Credit risk on loans and advances and markup accrued from associated companies are measured under General Approach and with respect to external credit ratings of the Holding Company.

41.3 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

41.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as substantially all obligations/ commitments of the Group are restricted to the extent of available liquidity. In addition, the Group has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

Exposure to liquidity risk

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	Weighted average effective rate of interest	2020					
		Carrying value	Contractual cash flows	Less than one year	One to five years	Above five years	Total
		------ Rupees ------					
Financial liabilities							
Long term financing	**1.50% to 16.22%**	**15,290,670,022**	**18,234,762,082**	**1,880,368,443**	**12,239,727,624**	**4,114,666,015**	**18,234,762,082**
Short term borrowings	**1.88% to 15.21%**	**11,537,224,217**	**11,724,346,916**	**11,724,663,618**	**-**	**-**	**11,724,663,618**
Lease liability		**71,173,118**	**162,788,885**	**8,784,600**	**58,993,945**	**95,010,340**	**162,788,885**
Trade and other payables		**2,692,707,211**	**2,692,707,211**	**2,692,707,211**	**-**	**-**	**2,692,707,211**
Unclaimed dividend		**13,748,423**	**13,748,423**	**13,748,423**	**-**	**-**	**13,748,423**
Accrued markup		**517,191,250**	**517,191,250**	**517,191,250**	**-**	**-**	**517,191,250**
		30,122,714,241	**33,345,544,767**	**16,837,463,545**	**12,298,721,569**	**4,209,676,355**	**33,345,861,469**

	Weighted average effective rate of interest	2019					
		Carrying value	Contractual cash flows	Less than one year	One to five years	Above five years	Total
		------ Rupees ------					
Financial liabilities							
Long term financing	2.50% to 14.03%	12,963,173,514	16,255,084,092	3,627,732,838	9,798,414,708	2,828,936,546	16,255,084,092
Short term borrowings	3.25% to 14.30%	12,299,901,368	12,523,902,940	12,523,902,940	-	-	12,523,902,940
Trade and other payables		2,927,089,537	2,927,089,537	2,927,089,537	-	-	2,927,089,537
Unclaimed dividend		12,340,081	12,340,081	12,340,081	-	-	12,340,081
Accrued markup		481,255,957	481,255,957	481,255,957	-	-	481,255,957
		28,683,760,457	32,199,672,607	19,572,321,353	9,798,414,708	2,828,936,546	32,199,672,607

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount

41.5 Market risk

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

41.5.1 Currency risk

Pakistani Rupee is the functional currency of the Group and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group's potential currency exposure comprises of:

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date is as follows:

	2020 Rupees	2019 Rupees
Consolidated statement of financial position items		
Finance against imported merchandise	**-**	1,877,878,369
Foreign currency export finance *(USD: 22,395,080)*	**3,779,169,695**	-
Foreign debtors	**(1,820,507,561)**	(2,932,832,064)
Gross exposure	**1,958,662,134**	(1,054,953,695)
Off consolidated statement of financial position items		
Outstanding letters of credit	**1,869,056,683**	1,961,619,403
Commitments in respect of foreign exchange forward contracts	**1,096,875,000**	-
Net exposure	**4,924,593,817**	906,665,708

The following significant exchange rate has been applied:

Average and spot rate

	Average rate		Spot rate	
	2020	2019	**2020**	2019
	------------ **Rupees** ------------		------------ **Rupees** ------------	
USD to Rupee	**158.21**	140.89	**168.05**	160.05

Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

Effect on consolidated statement of profit or loss	**2020 Rupees**	2019 Rupees
USD to Rupee	**492,459,382**	90,666,571

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/ liabilities of the Group.

Currency risk management

Since the maximum amount exposed to currency risk is only 8.83% (2019: 1.66%) of the Group's total assets, any adverse/ favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

41.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments is as follows:

	2020	2019	**2020**	2019
41.5.2 (a) Financial Instruments	**Effective rate (in Percentage)**		**Carrying amount (Rupees)**	
Financial liabilities				
Fixed rate instruments:				
Long term loan	**1.50 - 3.25**	2.50 - 3.25	**5,593,352,013**	4,697,591,107
Variable rate instruments:				
Long term loan	**7.89 - 16.22**	7.14 - 14.03	**9,697,318,009**	8,265,582,407
Short term borrowings	**1.88 - 15.21**	3.25 - 14.30	**11,537,224,217**	12,299,901,368

	2020	2019	2020	2019
	Effective rate (in Percentage)		Carrying amount (Rupees)	
Financial assets				
Variable rate instruments:				
Advance to associated company	**9.86 - 15.31**	8.53 - 14.29	**2,733,701,707**	1,905,124,267
Saving accounts	**10.00 - 11.65**	4.44 - 10.06	**50,133**	2,509

41.5.2 (b) Fair value sensitivity analysis for fixed rate instruments

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

41.5.2 (c) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or (loss) for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bps Increase	100 bps Decrease
	-------- **Rupees** --------	
As at 30 June 2020	**212,344,921**	**(212,344,921)**
As at 30 June 2019	205,654,813	(205,654,813)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/ liabilities of the Group.

41.5.2 (d) Interest rate risk management

The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Group's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

41.5.3 Other price risk

Other price risk is 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). The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss and fair value through OCI. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

Sensitivity analysis

The table below summarizes the Group’s equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Group’s equity investment portfolio.

	2020			
	Fair value	**Price change**	**Estimated fair value after change in prices**	**Increase (decrease) in profit or (loss)/ equity**
	---Rupees---			
Financial assets at fair value through profit or loss	**163,587,600**	**10% increase**	**179,946,360**	**16,358,760**
		10% decrease	**147,228,840**	**(16,358,760)**
Financial assets at fair value through OCI	**1,717,188,503**	**10% increase**	**1,888,907,353**	**171,718,850**
		10% decrease	**1,545,469,653**	**(171,718,850)**
	1,880,776,103			

	2019			
	Fair value	Price change	Estimated fair value after change in prices	Increase (decrease) in profit or (loss)/ equity
	---Rupees---			
Financial assets at fair value through profit or loss	182,682,000	10% increase	200,950,200	18,268,200
		10% decrease	164,413,800	(18,268,200)
Financial assets at fair value through OCI	1,910,753,472	10% increase	2,101,828,819	191,075,347
		10% decrease	1,719,678,125	(191,075,347)
	2,093,435,472			

41.5.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans

- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

42 Capital management

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

The Group's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

42.1 Gearing ratio as at 30 June 2020 and as at 30 June 2019 are as follows:

	2020	2019
	Rupees	Rupees
Total debt	**26,827,894,239**	25,263,074,882
Total equity including revaluation surplus	**21,274,941,566**	21,708,871,150
Total capital employed	**48,102,835,805**	46,971,946,032
Gearing ratio	**56%**	54%

Total debt comprises of long term financing from conventional banks, long term musharika including current portion of long term borrowings and short term borrowings.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance.

43 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020						
	Long term financing	Long term musharika	Short term borrowing	Lease liability	Unclaimed dividend	Accrued markup	Total
	---------- Rupees ----------						
Balance at 01 July 2019	10,794,116,895	2,169,056,619	12,299,901,368	-	12,340,081	481,255,957	**25,756,670,920**
Changes from financing cash flows							
Proceeds from short term borrowings - net	-	-	(762,677,151)	-	-	-	**(762,677,151)**
Financial charges paid - net	-	-	-	-	-	(2,898,616,350)	**(2,898,616,350)**
Proceeds from long term financing - net	3,048,399,042	1,000,000,000	-	-	-	-	**4,048,399,042**
Long term financing repaid	(1,449,705,329)	(271,197,205)	-	-	-	-	**(1,720,902,534)**
Lease rentals paid	-	-	-	(7,986,000)			**(7,986,000)**
Dividend paid	-	-	-	-	(313,591,658)	-	**(313,591,658)**
Total changes from financing cash flows	**1,598,693,713**	**728,802,795**	**(762,677,151)**	**(7,986,000)**	**(313,591,658)**	**(2,898,616,350)**	**(1,655,374,651)**
Other changes							
Finance cost	-	-	-	10,236,151	-	2,934,551,643	**2,944,787,794**
Recognized during the year	-	-	-	68,922,967	-	-	**68,922,967**
Dividend declared	-	-	-	-	315,000,000	-	**315,000,000**
Total liability related other changes	-	-	-	79,159,118	315,000,000	2,934,551,643	**3,328,710,761**
Balance at 30 June 2020	**12,392,810,608**	**2,897,859,414**	**11,537,224,217**	**71,173,118**	**13,748,423**	**517,191,250**	**27,430,007,030**

	2019						
	Long term financing	Long term musharika	Short term borrowing	Lease liability	Unclaimed dividend	Accrued markup	Total
	---------------- Rupees ----------------						
Balance at 01 July 2018	10,019,402,227	1,389,679,269	10,728,556,612	-	8,971,945	322,880,239	**22,469,490,292**
Changes from financing cash flows							
Proceeds from short term borrowings - net	-	-	1,571,344,756	-	-	-	**1,571,344,756**
Financial charges paid - net	-	-	-	-	-	(2,175,664,174)	**(2,175,664,174)**
Proceeds from long term financing	2,608,778,944	1,100,000,000	-	-	-	-	**3,708,778,944**
Long term financing repaid	(1,834,064,276)	(320,622,650)	-	-	-	-	**(2,154,686,926)**
Dividend paid	-	-	-	-	(251,631,864)	-	**(251,631,864)**
Total changes from financing cash flows	**774,714,668**	**779,377,350**	**1,571,344,756**	-	**(251,631,864)**	**(2,175,664,174)**	**698,140,736**
Other changes							
Finance cost	-	-	-	-	-	2,334,039,892	**2,334,039,892**
Dividend declared	-	-	-	-	255,000,000	-	**255,000,000**
Total liability related other changes	**-**	**-**	**-**	-	**255,000,000**	**2,334,039,892**	**2,589,039,892**
Balance at 30 June 2019	**10,794,116,895**	**2,169,056,619**	**12,299,901,368**	**-**	**12,340,081**	**481,255,957**	**25,756,670,920**

44 Remuneration of Chief Executive Officer, Non-Executive Directors, Executive Directors and Executives

The aggregate amounts charged in the accounts for the year for remuneration, including all benefits to the Chief Executive Officer and Directors and Executives of the Group are as follows:

	2020					2019				
	Chief Executive Officer	**Non-Executive Directors**	**Executive Director**	**Executives**	**Total**	Chief Executive Officer	Non-Executive Directors	Executive Director	Executives	Total
	Rupees					Rupees				
Managerial remuneration	**-**	**16,819,380**	**5,539,255**	**58,325,884**	**80,684,519**	1,760,374	14,233,486	5,365,006	47,412,200	68,771,066
House rent and utilities	**170,041**	**53,961**	**-**	**9,810,990**	**10,034,992**	76,984	2,100	-	7,825,634	7,904,718
Medical	**115,618**	**213,403**	**-**	**5,811,585**	**6,140,606**	177,965	-	-	4,636,239	4,814,204
Conveyance/ petrol	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Insurance	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
	285,659	**17,086,744**	**5,539,255**	**73,948,459**	**96,860,117**	2,015,323	14,235,586	5,365,006	59,874,073	81,489,988
Numbers	**1**	**7**	**2**	**26**	**36**	1	4	1	22	28

44.1 In addition to above, only Non-Executive Directors were paid Rs. 0.03 million (2019: Rs. Nil) as meeting fee.

44.2 Chief Executive Officer, directors and some of the executives are also provided with Group maintained cars and telephones at their residences for the Group business purposes.

44.3 These include Rs. 3.58 million (2019: Rs. 10.42 million) in respect of staff retirement benefits.

45 Number of employees

	2020	2019
	-------------(Number)------------	
	Production	
Total number of employees as at 30 June	**5,695**	5,389
Average number of employees during the year	**5,542**	5,554

46 Related party transactions and balances

The related parties comprise of associated companies, directors of the Group and entities under common directorship, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

	Name of parties	Relationship	Basis of Relationship	2020 Rupees	2019 Rupees
a)	**Fazal Rehman Fabrics Limited**	Related party	Common Directorship		
	Sale of goods- net			**4,020,815,557**	3,284,384,000
	Purchase of goods			**102,250,471**	38,019,026
	Purchase of fixed assets			**15,795,000**	-
	Receipts against sale of goods - net			**3,799,243,238**	3,090,566,683
b)	**Fatima Fertilizer Company Limited**	Related party	Common Directorship and 3.29 % (2019: 3.29%) shareholding		
	Dividend Income			**138,228,062**	120,949,554
	Reimbursable expenses			**-**	1,473,212
c)	**Fatima Energy Limited**	Related party	19% shareholding in associate (2019: 24.11%)		
	Long term advance			**657,500,000**	782,807,121
	Mark-up accrued on long term advance			**308,039,351**	173,555,460
	Purchase of goods			**530,597,279**	4,036,058
	Payments against purchase of goods -net			**507,135,904**	9,815,884
d)	**Reliance Weaving Mills Limited**	Related party	Common Directorship		
	Sale of goods			**54,104,720**	62,703,900
	Receipts against sale of goods- net			**40,565,155**	60,292,803
e)	**Ahmed Fine Textile Mills Limited**	Related party	Common Directorship		
	Sale of goods			**50,531,609**	191,606,043
	Purchase of goods			**1,317,124,310**	634,952,247
	Purchase of fixed assets			**12,012,477**	-
	Payment against sale of goods-net			**1,016,544,533**	525,744,880
	Reimbursable expenses			**1,832,659**	2,500,000

	Name of parties	Relationship	Basis of Relationship	**2020 Rupees**	2019 Rupees
f)	**Fazal-ur-Rehman Foundation, Multan**	Related party	Common Directorship/ Trustees		
	Donations			**2,652,600**	3,290,070
g)	**Hussain Ginneries Limited**	Related party	Common Directorship		
	Expenses incurred on behalf of associate			**1,261,550**	1,981,757
	Payments against expenses			**1,250,000**	2,294,652
h)	**Fatima Transmission Company Limited**	Related party	Common Directorship		
	Long term advance			**33,615,448**	15,490,795
	Mark-up accrued on long term advance			**8,973,115**	3,541,501
i)	**Pak Arab Energy Limited**	Related party	Common Directorship		
	Mark-up accrued on long term advance			**3,660,066**	2,893,871
j)	**Fatima Sugar Mills Limited**	Related party	Common Directorship		
	Payments against expenses			**-**	2,600,000
	Reimbursable expenses			**-**	2,600,000
	Others			**-**	4,835
k)	**Fazal Farm (Private) Limited**	Related party	Common Directorship		
	Purchase of goods			**5,243,324**	4,040,976
	Payments against purchase of goods -net			**7,007,860**	2,222,337
l)	**Friends of Cardiology Foundation Multan**	Related party	Common Directorship/ Trustees		
	Donations			**6,228,650**	3,933,977
m)	**Taary Zameen Par Trust**	Related party	Common Directorship/ Trustees		
	Donations			**456,400**	100,000

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

47 Segment reporting

47.1 Reportable segments

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

The Group's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers
- Weaving segment - production of different qualities of fabric using yarn

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

47.2 Information about reportable segments

	Spinning		Weaving		Total	
	2020	2019	**2020**	2019	**2020**	2019
	Rupees					
External revenues	**32,812,134,622**	34,027,589,141	**6,901,600,314**	6,886,139,707	**39,713,734,936**	40,913,728,848
Intersegment revenues	**4,086,456,573**	2,423,107,185	**9,970,700**	-	**4,096,427,273**	2,423,107,185
Cost of sales	**(32,833,170,773)**	(32,016,162,338)	**(2,319,330,566)**	(3,882,782,528)	**(35,152,501,339)**	(35,898,944,866)
Intersegment cost of sales	**(9,970,700)**	-	**(4,086,456,573)**	(2,423,107,185)	**(4,096,427,273)**	(2,423,107,185)
Selling and distribution expense	**(314,035,329)**	(190,915,967)	**(68,306,673)**	(70,853,681)	**(382,342,002)**	(261,769,648)
Administrative expenses	**(305,380,348)**	(295,062,018)	**(40,623,333)**	(42,978,276)	**(346,003,681)**	(338,040,294)
Other expense	**(625,679,074)**	(246,549,267)	**(5,093,757)**	-	**(630,772,831)**	(246,549,267)
Other income	**533,532,949**	769,219,269	**3,592,098**	53,838,040	**537,125,047**	823,057,309
Finance cost	**(2,638,558,721)**	(2,106,082,153)	**(306,229,073)**	(227,957,739)	**(2,944,787,794)**	(2,334,039,892)
Profit before tax	**705,329,199**	2,365,143,852	**89,123,137**	292,298,338	**794,452,336**	2,657,442,190

47.2.1 The accounting policies for disclosure of the reportable segments are the same as the Group's accounting policies described in note 4.21 to the financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

47.2.2 Reconciliation of reportable segment revenues and profits

	Rupees	Rupees
Total revenue from reportable segments	**43,810,162,209**	43,336,836,033
Elimination of inter segment revenue	**(4,096,427,273)**	(2,423,107,185)
	39,713,734,936	40,913,728,848
Consolidated statement of profit or loss		
Total profit of reportable segments	**794,452,336**	2,657,442,190
Share of loss from associates	**(111,313,794)**	(110,166,713)
Taxation for the year	**(627,358,059)**	(1,005,534,614)
	55,780,483	1,541,740,863

47.3 Segment assets and liabilities

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

	Spinning	Weaving	Total
	------------------- Rupees -------------------		
For the year ended 30 June 2020:			
Segment assets for reportable segment	**38,735,658,236**	**3,964,887,260**	**42,700,545,496**
Unallocated corporate assets			**13,090,456,003**
Total assets as per consolidated statement of financial position			**55,791,001,499**
Segment liabilities for reportable segment	**-**	**-**	**-**
Unallocated corporate liabilities	**-**	**-**	**34,516,059,933**
Total liabilities as per consolidated statement of financial position			**34,516,059,933**
For the year ended 30 June 2019:			
Segment assets for reportable segment	36,319,707,776	3,948,392,847	40,268,100,623
Unallocated corporate assets	-	-	14,296,751,274
Total assets as per consolidated statement of financial position			54,564,851,897
Segment liabilities for reportable segment	-	-	-
Unallocated corporate liabilities	-	-	32,855,980,747
Total liabilities as per consolidated statement of financial position			32,855,980,747

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

- all assets are held under unallocated corporate assets except property, plant and equipment, stores spares and loose tools, and stock in trade which are allocated to reportable segments; and
- all liabilities are held under unallocated corporate liabilities.

Other segment information	Spinning	Weaving	Total
	------------------- Rupees -------------------		
For the year ended 30 June 2020			
Capital expenditure	**2,145,169,124**	**7,181,028**	**2,152,350,152**
Depreciation			
Cost of sales	**1,056,781,589**	**143,726,251**	**1,200,507,840**
Administrative expenses	**37,165,240**	**1,678,988**	**38,844,228**
	1,093,946,829	**145,405,239**	**1,239,352,068**
For the year ended 30 June 2019			
Capital expenditure	2,717,796,885	17,179,166	2,734,976,051
Depreciation			
Cost of sales	976,829,689	150,115,558	1,126,945,247
Administrative expenses	27,323,875	4,448,073	31,771,948
	1,004,153,564	154,563,631	1,158,717,195

48 Geographical information

The Group operates in one principal geographical area. The Group's gross revenue from external customers by geographical location is detailed below:

	Note	2020 Rupees	2019 Rupees
Domestic Sales	*30*	**25,283,232,411**	28,129,933,769
Export Sales	*48.1*	**14,430,502,525**	12,783,795,079
		39,713,734,936	40,913,728,848

48.1 Country wise export sales are as under

China		**7,083,887,743**	6,736,392,280
United States of America		**1,456,297,858**	1,512,493,143
Portugal		**537,335,394**	752,736,085
Turkey		**970,946,466**	255,953,798
Hong Kong		**239,567,883**	110,058,482
Germany		**509,143,261**	467,451,117
Singapore		**-**	157,481,663
Taiwan		**101,561,480**	-
Italy		**226,994,664**	185,329,846
Japan		**155,302,740**	-
Bangladesh		**36,664,916**	111,337,088
Belgium		**80,082,041**	6,605,442
Poland		**34,564,262**	137,007,707
Colombia		**183,437,658**	143,031,096
Malaysia		**66,134,136**	-
Others		**219,707,725**	760,387,366
Indirect exports	*30.2*	**2,528,874,298**	1,447,529,966
		14,430,502,525	12,783,795,079

48.1.1 All export sales during the year other than indirect are secured against letter of credit.

49 Capacity and production

		2020	2019
Spinning:			
Number of spindles installed		**252,564**	238,404
Number of rotors and MVS spindles installed		**4,548**	4,572
Number of shifts worked			
Unit I, II, III and IV		**1,067**	1,094
Subsidiary		**1,067**	1,094
Number of spindles - *shifts worked*		**269,485,788**	260,813,976
Capacity at 20's count	*Kgs.*	**112,302,925**	106,687,774
Actual production of all counts	*Kgs.*	**96,314,856**	92,842,742
Actual production converted into 20's count	*Kgs.*	**109,191,935**	108,112,731

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

		2020	2019
Weaving:			
Number of looms installed		**224**	224
Number of looms worked		**224**	224
Number of shifts worked		**1,067**	1,094
Standard cloth production	Mtr.	**46,985,843**	48,678,153
Actual cloth production	Mtr.	**43,537,082**	45,104,690

It is difficult to describe precisely the production capacity in weaving mills since it fluctuates widely depending on various factors such as count of yarn weaved, loom speed, reed change and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

The utilization of available capacity below standard capacity of weaving is mainly due to normal maintenance.

50 Non adjusting event after consolidated statement of financial position date

The Board of Directors of the Holding Company in their meeting held on 29 October 2020 has proposed a final cash dividend of Rs. Nil per share (2019: Rs. 10.50 per share) for the year ended 30 June 2020 held for approval of the members in the Annual General Meeting to be held on 26 November 2020.

51 Date of authorization for issue

These consolidated financial statements were authorized for issue on 29 October 2020 by the Board of Directors of the Holding Company.

52 General

52.1 Figures have been rounded off to the nearest Rupee, except stated otherwise.

52.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

(MUHAMMAD AZAM)	**(REHMAN NASEEM)**	**(SHEIKH NASEEM AHMAD)**
CHIEF FINANCIAL OFFICER	**CHIEF EXECUTIVE OFFICER**	**DIRECTOR**

Categories Detail

As At :30-June-2020

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	5,417,512	18.0584
Associated Companies, undertakings, and related parties	10,901,860	36.34
NIT & ICP	1,769,629	5.8988
Banks Development Financial Institutions, Non-banking Financial Institutions	170,322	0.5677
Modarba and Mutual Funds	13,006	0.0434
Shareholders holding 10 %	10,447,861	34.8262
General public	1,214,628	4.0459
Others (Public Sector and government institutions)	65,182	0.2174
Total	**30,000,000**	**100**

Fazal Cloth Mills Limited
Categories Detail
As At :30-June-2020

Catagory Name		Shares Held	%
Directors, Spouses & Minor Children			
SHEIKH NASEEM AHMAD	(Chairman / Director)	8,820	0.0294
MUHAMMAD MUKHTAR SHEIKH S/O	(Director)	1,012,969	3.3766
FAISAL AHMED	(Director)	2,039,865	6.7995
FAHD MUKHTAR	(Director)	579,715	1.9324
AMIR NASEEM SHEIKH	(Director)	82,828	0.2761
Ms. PARVEEN AKHTER MALIK	(Director)	1	0.0
Mr. MASOOD KARIM SHEIKH	(Director)	1	0.0
Mr. BABAR ALI	(Director)	1	0.0
ASAD MUHAMMAD SHEIKH S/O	FAZAL AHMAD SHEIKH	1,012,970	3.3766
MAHNAZ AMIR SHEIKH		4,447	0.0148
MOHID MUHAMMAD AHMED S/O	FAISAL AHMED	675,895	2.253
		5,417,512	**18.0584**
Associated Companies, Undertakings and Related Parties			
RELIANCE COMMODITIES (PVT) LTD		500	0.0017
FATIMA MANAGEMENT COMPANY LIMITED		392,282	1.3076
FATIMA TRADE COMPANY LIMITED		392,282	1.3076
FATIMA TRADING COMPANY (PVT) LIMITED		392,283	1.3076
FAWAD AHMED MUKHTAR S/O		2,415,422	8.0514
ALI MUKHTAR S/O	(Fawad Ahmad Mukhtar)	536,207	1.7874
ABBAS MUKHTAR S/O	(Fawad Ahmad Mukhtar)	536,206	1.7874
FAZAL AHMED SHEIKH		2,041,611	6.8054
ABDULLAH AMIR FAZAL S/O	AMIR NASEEM SHEIKH	1,421,639	4.7388
MUHAMMAD YOUSAF AMIR S/O	AMIR NASEEM SHEIKH	1,421,638	4.7388
MUHAMMAD FAZEEL MUKHTAR S/O	FAISAL AHMED	675,895	2.253
IBRAHIM MUKHTAR S/O	FAISAL AHMED	675,895	2.253
		10,901,860	**36.340**
NIT & ICP			
IDBL (ICP UNIT)		1,141	0.0038
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		1,768,488	5.895
		1,769,629	**5.899**
Banks, Development Financial Institutions, Non Banking Financial Institutions			
INDUSTRIAL DEVELOPMENT BANK OF PAIKSTAN(IDBP)		613	0.002
M/S. UNITED BANK LIMITED		788	0.0026
NATIONAL BANK OF PAKISTAN		993	0.0033
ESCORTS INVESTMENT BANK LIMITED		196	0.0007
THE TRUSTEE, GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST		379	0.0013
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND		161,680	0.5389
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST		5,673	0.0189
		170,322	**0.568**
Mudaraba & Mutual Funds			
GOLDEN ARROW SELECTED STOCKS FUND LIMITED		12,406	0.0414
CDC - TRUSTEE AKD OPPORTUNITY FUND		600	0.002
		13,006	**0.043**
Sahreholder holding 10 %			
FAZAL HOLDINGS PVT LTD (Associted Company)		7,346,541	24.4885
REHMAN NASEEM (Director)		3,101,320	10.3377
		10,447,861	**34.826**
General Public			
Local		**1,209,864**	4.030
Foreign		**4,764**	0.016
		1,214,628	**4.046**
OTHERS- Public Sector Companies & Govt Institutions			
M/S. FREEDOM ENTERPRISES (PVT) LTD		6,309	0.021
FAZAL VEGETABLE GHEE MILLS LTD		7,689	0.0256
M/S. FATEH TEXTILE MILLS LIMITED		258	0.0009
M/S. NAEEMS SECURITIES LIMITED		763	0.0026
SARFRAZ MAHMOOD (PRIVATE) LTD		100	0.0003
H M INVESTMENTS (PVT) LIMITED		45	0.0002
AKRAM COTTON MILLS LIMITED		6	0
MAPLE LEAF CAPITAL LIMITED		1	0
THE DEPUTY ADMINISTRATOR (APO)		1,078	0.0036
DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION		47,130	0.1571
FIKREES (SMC-PVT) LTD.		1,668	0.0056
MOLASSES TRADING & EXPORT CO. LTD.		135	0.0005
		65,182	**0.217**
		30,000,000	**100.00**

Pattern of Shareholding for Fazal Cloth Mills Limited

As on:- 30-Jun-2020

Number of ShareHolders	Shareholdings From		To	Total Number of Share Held	Percentage of Total Capital
725	1	-	100	16,277	0.05
349	101	-	500	94,187	0.31
101	501	-	1000	74,971	0.25
119	1001	-	5000	244,930	0.82
23	5001	-	10000	154,656	0.52
8	10001	-	15000	91,399	0.30
2	15001	-	20000	34,696	0.12
1	25001	-	30000	25,384	0.08
3	40001	-	45000	132,368	0.44
2	45001	-	50000	93,930	0.31
1	55001	-	60000	59,804	0.20
1	80001	-	85000	82,828	0.28
1	130001	-	135000	131,191	0.44
1	160001	-	165000	161,680	0.54
1	300001	-	305000	304,500	1.02
3	390001	-	395000	1,176,847	3.92
3	535001	-	540000	1,605,037	5.35
3	670001	-	675000	2,024,102	6.75
2	1010001	-	1015000	2,022,355	6.74
1	1305001	-	1310000	1,306,976	4.36
2	1420001	-	1425000	2,843,277	9.48
1	1765001	-	1770000	1,768,488	5.89
2	1995001	-	2000000	3,993,810	13.31
1	2415001	-	2420000	2,415,422	8.05
1	3100001	-	3105000	3,101,320	10.34
1	6035001	-	6040000	6,039,565	20.13
1,358				**30,000,000**	**100.00**

Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

Consent Form For Transmission Of Annual Audited Financial Statements Along-With Notice Of AGM Through E-Mail.

Date:__________________
Manager Shares,
Fazal Cloth Mills Limited,
Vision Consulting Limited,
3-C, LDA Flats Lawrence Road,
Lahore.042-36283096-97
Shares@vcl.com.pk

Subject: Consent For Transmission Of Annual Audited Financial Statements Along With Notice Of Annual General Meeting Through E-Mail

Dear Sir,

I hereby instruct the company M/s Fazal Cloth Mills Limited to send me the Company's Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report thereon along-with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

Sincerely

Signature of Shareholder: ______________________________
Folio # / CDC account No: ______________________________
Name of Shareholder: ______________________________
Valid e-mail Address: ______________________________
Contact No. : ______________________________
CNIC No. : ______________________________

Form of Proxy

FAZAL CLOTH MILLS LIMITED

I/We_______________________________________ of __________________________________, being a Member of Fazal Cloth Mills Limited holding ________________________________ ordinary shares, HEREBY APPOINT____ of _______________________________, or failing him/her __________________________________ of _____________________________________ as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at 55th Annual General Meeting of the Company to be held at the Fatima Group Head Office, 110-E, Khayanban E Jinnah, Lahore Cantt, at 11:00 a.m. on Thursday 26 November 2020 and at any adjournment there of.

As witness my/our hand(s) this _____ day of ____________________ 2020.

Signed in the presence of:

Five Rupees Revenue Stamps

___________________________ (Signature of Witness 1)
Name of Witness:
CNIC No.: | | | | | |-| | | | | | | |-| |

Address:______________________________
____
____
____

___________________________ (Signature of Witness 2)
Name of Witness:
CNIC No.: | | | | | |-| | | | | | | |-| |

Address:______________________________
____
____
____

____
(Name of Block letters)
Folio No.

____
Signature of the Shareholder

Notes:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 10/- at the place indicated above;
   (b) to sign in the same style of signature as is registered with the Company;
   (c) to write down his/her Folio Number.
2. For the appointment of the above Proxy to be valid, this instrument of proxy must be received at the Office of the Share Registrar of the Company at Share Registrar Department, Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road Lahore at least 48 hours before the time fixed for the Meeting.
3. Any alteration made in this instrument of proxy should be initialled by the person who signs it.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
5. The Proxy must be a Member of the Company.

For CDC Account Holders / Corporate Entities:
In addition to the above, the following requirements have to be met:

(i) The proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
(ii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
(iii) The Proxy must produce his original CNIC or original passport at the time of the Meeting.
(iv) In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (unless it has been provided earlier) alongwith proxy forms to the Share Registrars.

فضل کلاتھ ملزلمیٹڈ

پراکسی فارم
55 واں سالانہ عمومی اجلاس

میں / ہم ....
ساکن .... بطور ممبر(ز) فضل کلاتھ ملزلمیٹڈ ....
حامل .... عام حصص، محترم / محترمہ ....
ساکن .... یا ان کے حاضر نہ ہوسکنے کی صورت میں ....
ساکن .... کو اپنے/ ہمارے ایما پر کمپنی کے مورخہ 26 نومبر 2020 بروز جمعرات
کو ہونے والے یا کسی بھی التوا کی صورت میں 55 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

بطور گواہ آج .... بتاریخ .... 2020 .... کی موجودگی میں دستخط ہوئے۔

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

پانچ روپے کے رسیدی
ٹکٹ پر دستخط

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

اہم نکات:

1- ہر لحاظ سے مکمل اور دستخط مدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر موصول ہوجانا چاہیے،

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

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

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

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

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

FCML

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