Annual Report June 30, 2019

Ayesha Textile Mills Ltd

AYESHA TEXTILE MILLS LIMITED

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Director's Report to Shareholders

The directors of the company welcome you to 33rd Annual General meeting and are pleased to present the annual report together with Audited accounts of the company for the financial year ended June 30, 2019.

More than one hundred textile mills of Punjab close their units due to non-viability and competitiveness of the industry. The government has failed to reduce their cost of business especially power tariff, ban imported yarn and fabrics and announce the much-delayed textile bailout package. Therefore, due to high cost of doing business the textile sector had nothing to offer their international buyers against the regional competitors. In 2015, the directors believed that it was a wiser decision to close the operations to some period of time and will start the operations as the conditions are feasible. As such decision of closure of business avoided further loss to the company.

FINANCIAL HIGHLIGHTS

The company showed loss after tax of Rs. 516 million for the year where as it was Rs. 31 million for the last year. The financial results are summarized hereunder:

	2019 **Rupees in '000'**	**2018** **Rupees in '000'**
Other operating income	51,536	16,572
Administrative and general expenses	574,345	44,614
Finance cost	7	10
Taxation	2,996	2,960
Net loss after tax	525,812	31,012
Loss per share	375.58	22.15

The management has closed its operation in 2015 due to adverse operating conditions prevailing the textile sector. The driving force for this non operation had been non-availability of working capital facility, litigation with the banking companies, fall in price of yarn and electricity and gas crisis.

The Company is under the process of liquidating assets to pay and settle creditors as well as liabilities to banks. The Company successfully paid and settled complete liabilities to The Bank of Punjab and settled/paid a large amount of dues to market creditors. The matters with some banking institutions are under litigation with the banking companies in the court of law and there are no credit lines available to the company. The complete detail of litigation cases are fully disclosed in note 17 of the financial statements.

The directors are making strenuous efforts to restart operations with a new business plan and are confident this will be done at the earliest.

For and on behalf of:
Ayesha Textile Mills Limited

Authorised Signatory

DELISTING FROM PAKISTAN STOCK EXCHANGE LIMITED

The Company has applied to the Pakistan Stock Exchange Limited for Voluntary Delisting. This will include buy-back of up to 12,464 ordinary shares held by minority shareholders of the Company. This process is expected to conclude after the final meeting scheduled with the PSX Delisting Committee on September 20, 2019.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

AUDITORS

The present Auditors' M/s Kamran & Co, Chartered Accountants, retired and will be reappointed as required by the Companies Act, 2017 for the next financial year.

PATTERN OF SHAREHOLDING

The pattern of shareholding as required by section 227 (2)(f) of the Companies Act, 2017 and under Code of Corporate Governance is enclosed.

DIVIDEND

As the accounts shows considerable losses for the year therefor no dividend is recommended by the Board of Directors in their meeting for the year ended June 30, 2019.

For and on behalf of
Ayesha Textile Mills Limited

Authorised Signatory

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF AYESHA TEXTILE MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

ADVERSE OPINION

We have audited the annexed financial statements of **M/S AYESHA TEXTILE MILLS LIMITED**, which comprises the statement of financial position as at June 30, 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanation given to us, because of the significance of the matters as discussed in basis for adverse opinion paragraph the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give information required by Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

BASIS FOR ADVERSE OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* 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 Accountant* 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.

a) As explained in note 1.1 to the financial statements, the Company has incurred a net loss of Rs. 525.812 million (2018: Rs. 31.012 million) resulting in accumulated losses of Rs. 286.451 million (June 30 2018: 286.451 million) at the close of the year ended 30 June 2019. The Company's current liabilities exceed its current assets by Rs. 666.173 million (2018: Rs. 670.939 million). The Company is facing operational and financial crisis and have lost key management without replacement and the commercial operations of the Company are ceased. These conditions indicate the existence of material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business. The financial statements, however, do not disclose this fact and any adjustment to that effect;

b) Long-term finances and outstanding short-term borrowings as mentioned in note 10, 14-16 to the financial statements remain unconfirmed as direct confirmation sent to financial institutions and related parties were not replied by them, moreover, owing to the disputes with financial institutions over outstanding balances, the same could not be otherwise verified.

c) We are unable to confirm trade and other payables amounting to Rs.193.401 million in absence of direct balance confirmation and other alternate audit procedures.

d) No provision for accrued mark-up over outstanding loan balances has been provided in financial statements. We are unable to determine the quantum of provision with reasonable accuracy and therefore, its impact on results for the year and equity could not be quantified.

e) In the absence of direct confirmations from legal advisor of the Company, we were unable to comment on the status of the cases or other litigations, if any, involving the Company.

f) We are unable to verify the disposal of property, plant and equipment as we were provided with only partial supporting documents.

Key Audit Matters

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

Following are the Key Audit Matters

S. No.	Key Audit Matters	How the matter was addressed in our audit
I.	**Delisting** As referred to in note – 36 to the annexed financial statements, the Company is in process of delisting. Delisting of the Company is affecting the rights and stakes of the minority shareholders including buy-back price of the shares. We consider it as key audit matter.	Our audit procedures included the following: • We inquire form the management about the status of delisting process. We have seen the correspondence with the stock exchange, which shows that delisting of the Company is in process.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statement, 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. Refer para (a) above under 'Basis for adverse opinion'.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statement, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosure 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. Refer para (a) above under 'Basis for adverse opinion'.
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures and whether the financial statements represent the underlying transaction and events in a manner that achieve fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion because of the significance of the matters as described in basis for adverse opinion above:

a) Except for the matters stated in basis of adverse opinion above, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) The statements of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are agreement with the books of account and return;

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

d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement Partner on the audit resulting in this independent auditor's report is Kamil Fatah (FCA).

Kamran & Co

KAMRAN & CO
CHARTERED ACCOUNTANTS

KAMRAN & CO. Chartered Accountants

LAHORE
20th SEPTEMBER 2019

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

		2019	2018
EQUITY AND LIABILITIES	**Note**	**--------- Rupees in '000 ---------**	
Share capital and reserves			
Share capital	**7**	**14,000**	14,000
Reserves	**8**	**77,627**	77,627
Accumulated loss		**(807,620)**	(286,451)
Surplus on revaluation of property, plant and equipment	**9**	**407,177**	298,338
		(308,816)	103,514
Non-current liabilities			
Long-term finances	**10**	**154,150**	195,336
Deferred liabilities	**11**	**73,973**	30,972
		228,123	226,308
Current liabilities			
Trade and other payables	**12**	**193,401**	243,698
Mark-up accrued on borrowings	**13**	**32,272**	32,272
Short-term borrowings from financial institutions	**14**	**234,201**	239,511
Short-term borrowings from related parties	**15**	**116,946**	49,899
Current portion of long-term finances	**16**	**144,860**	161,491
		721,680	726,871
Contingencies and commitments	**17**	**-**	-
		640,987	1,056,693

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

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

		2019	2018
ASSETS	**Note**	**--------- Rupees in '000 ---------**	
Non-current assets			
Property, plant and equipment	**18**	**575,833**	991,459
Long-term deposits	**19**	**9,647**	9,302
		585,480	1,000,761
Current assets			
Trade debts	**20**	**1,650**	1,500
Loans and advances	**21**	**1,406**	782
Balances due from government	**22**	**48,511**	53,369
Cash and bank balances	**23**	**3,940**	281
		55,507	55,932
		640,987	1,056,693

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

AYESHA TEXTILE MILLS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHANSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		--------- Rupees in '000 ---------	
Other operating income	24	**51,536**	16,572
Administrative and general expenses	25	**574,345**	44,614
Finance cost	26	**7**	10
		574,352	44,624
Profit / (Loss) before taxation		**(522,816)**	(28,052)
Taxation	27	**(2,996)**	(2,960)
Loss after taxation		**(525,812)**	(31,012)
		(Rupees)	**(Rupees)**
Loss per share (basic and anti-dilutive)	28	**(375.58)**	(22.15)

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

AYESHA TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		------------ Rupees in '000 ------------	
Loss for the year		**(525,812)**	(31,012)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(525,812)**	(31,012)

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

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

		Note	2019	2018
			------------ Rupees in '000 ------------	
A	**Cash flow from operating activities**			
	Loss before taxation		(522,816)	(28,052)
	Add / (Less): Adjustment for non-cash items:			
	Depreciation on property, plant and equipment	18.4	8,260	19,034
	Reversal of frozen mark-up (BOP)		(25,706)	-
	Loss on sale of fixed assets		556,747	-
	Finance cost	26	7	10
			539,308	19,044
	Operating (loss) before working capital changes		16,492	(9,008)
	Working capital changes			
	(Increase) / Decrease in current assets			
	Trade debts		(150)	(1,500)
	Loans and advances		(624)	(782)
	(Decrease) / increase in trade and other payables		(50,297)	10,297
			(51,071)	8,015
	Net cash generated from operations		(34,579)	(993)
	Income taxes paid		(35)	(22)
	Finance cost paid		(7)	(10)
	Net cash used in operating activities		(34,621)	(1,025)
B	**Cash flow from investing activities**			
	Sale of fixed assets		9,000	-
	Long-term deposits		(345)	-
	Net cash in flow in investing activities		8,655	-
C	**Cash flow from financing activities**			
	Repayment of long term finances		(32,111)	(1,150)
	Bank over draft		(5,310)	-
	Short term borrowings from associated undertakings		67,047	-
	Net cash inflow / (out) flow in financing activities		29,626	(1,150)
Net increase / (decrease) in cash and cash equivalents (A+B+C)			3,659	(2,175)
Cash and cash equivalents at beginning of the year		23	281	2,456
Cash and cash equivalents at end of the year		23	3,940	281

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

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

	Share Capital	Reserves				Accumulated loss	Revaluation surplus on property, plant and equipment	Total Equity
		Capital	General	Special	Investments			
	Rupees in '000							
As at 30 June 2017	**14,000**	**6,124**	**70,550**	**267**	**686**	**(257,292)**	**299,132**	**133,467**
Total comprehensive loss for the year	-	-	-	-	-	(31,012)	-	(31,012)
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	-	-	-	-	1,853	(1,853)	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	-	-	-	1,059	1,059
As at 30 June 2018	**14,000**	**6,124**	**70,550**	**267**	**686**	**(286,451)**	**298,338**	**103,514**
Loss for the year	-	-	-	-	-	(525,812)	-	(525,812)
Adjustment of surplus on disposal of property, plant and equipment - net of tax	-	-	-	-	-	-	110,866	110,866
Incremental depreciation on revaluation of property, plant and equipment for the year (net of tax)	-	-	-	-	-	4,643	(4,643)	-
Revaluation surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	-	-	-	2,616	2,616
As at 30 June 2019	**14,000**	**6,124**	**70,550**	**267**	**686**	**(807,620)**	**407,177**	**(308,816)**

The annexed notes from 1 to 37 form an integral part of these financial statements.

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

Lahore.

1 STATUS AND ACTIVITIES

Ayesha Textile Mills Limited ('the Company') is a public limited company incorporated under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed at Pakistani Stock Exchange (formerly Karachi and Lahore Stock Exchanges). The registered office of the Company is situated at 97-B, Gulberg II, Lahore. The Company was engaged in manufacturing and sale of cotton and PC yarn. The Company had ceased its operations since November 2015.

1.1 Going concern assumption

The Company had suffered severe energy crisis in the from of unscheduled and unprecedented gas and electricity load shedding which catastrophically impaired the production of the company resulting in total seizure of the Company's production (November 2015) as compared to major short fall in production due to seizure of Unit II of the Company situated at 9 kilometer, Faisalabad Road, Kharianwala, Sheikhupura, (April 2015).

The Company incurred a net loss of Rs. 525.81 million (2018: Rs. 31.01 million) resulting in accumulated losses of Rs. 807.62 million at the close of the year ended 30 June 2019. The Company's current liabilities exceed its current assets by Rs. 666.17 million (2018: Rs. 670.94 million).

These conditions along with adverse key financial ratios, the Company's inability to comply with loan agreements and inability to pay long-term financing on due dates indicate the existence of a material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements, however, have been prepared under the going concern assumptions based on the following mitigating factors:

a) The management has prepared a five (5) years future plan showing profitability.

b) The sponsoring directors have given a written commitment stating that they will provide out of private sources working capital as required by the Company.

c) The management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the man power, resource conversation, close monitoring of other fixed cost. The management is certain to generate sufficient savings as consequences of adopting all such measures.

d) Management is considering different options to revive the production of closed units and is very much confident that production of the closed units will be revived in few months.

The management anticipates that above steps will not only bring the Company out of existing financial crisis but also contribute significantly towards the improvement of the Company's financial position in the foreseeable future.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS OCCURED DURING THE YEAR

a) The Comapany has sold its plant and machinery during the year

b) The Company is in process for de-listing from Pakistan Stock Exchange.

3 STATEMENT OF COMPLIANCE

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

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

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

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

4.1 Initial application of International Financial Reporting Standards (IFRSs), interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company’s annual accounting period which began on 1 July 2018. However, these do not have any significant impact on the Company’s financial reporting and, therefore, have not been detailed in these financial statements.
In addition to the above, the following two new standards have become applicable to the Company effective 1 July 2018:

IFRS 9	Financial Instruments	This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On 1 July 2018 (the date of initial application of IFRS 9), the Company’s management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as ‘loans and receivables’ have now been classified as ‘amortised cost’).
IFRS 15	Revenue from Contracts with Customers	This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company. However, related changes to the accounting policies have been made in these financial statements.

4.2 International Financial Reporting Standards (IFRSs), interpretations and amendments that are effective in current year but are not relevant

Other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

4.3 IFRSs, IFRIC interpretations and accounting standards not yet effective and have not been early adopted by the Company

Additionally there is another new standard, certain amendments and an interpretation to the approved accounting and reporting standards that will be mandatory for the Company’s annual accounting periods beginning on or after 1 July 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial

5 BASIS OF PREPARATION

5.1 Measurement

These financial statements have been prepared under historical cost convention modified by:

- financial instruments at fair value;
- employee retirement benefits at present value; and
- revaluation of certain items of property, plant and equipment.

5.2 Significant accounting judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

a) Depreciation method, rates and useful lives of property, plant and equipment
b) Revaluation of property, plant and equipment
c) Employee benefits
d) Recoverable amount of assets/cash generating units and impairment
e) Taxation f) Provisions g) Contingencies

5.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

6 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies below had been adopted in preparation of these financial statements:

6.1 Property, plant and equipment

Property, plant and equipment except freehold land is stated at cost / revalued amounts (if any) less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress and stores held for capital expenditure are stated at cost less accumulated impairment losses, if any. Cost also includes borrowing costs wherever applicable.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment. Subsequent costs are recognized as a part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 18 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which they are available for use while no depreciation is charged for the whole year in which property, plant and equipment purchased, and no depreciation in the year in which it is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment, if any, are recognized in the income of the relevant year, as and when incurred. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

6.2 Surplus on revaluation of fixed assets

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost.

6.3 Employee retirement benefits (gratuity)

The Company was operating an unfunded and unapproved gratuity scheme (defined benefit plan) for all its permanent employees who have attained the minimum qualifying period for entitlement to the gratuity.

As the company has ceased its operations and accordingly, the company has stop providing for employee retirment benefits and amount no longer payable to employees had been written back. Hence, had not provided additional disclosures required under IAS 19.

6.4 Taxation

Income tax expense comprise current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in 'profit and loss account / statement of comprehansive income' or 'equity', in which case it is recognized in ' statement of profit or loss and other comprehensive comprehensive income' or 'equity'.

Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalized during the year.

Deferred

As the Company has ceased its operations during the year, hence the Company has not provided any further charge of deferred tax except the deferred tax liability over revaluation surplus created over assets of the Company in their financial statements. The charge of deferred tax will be eliminated at the time of the actual adjustment of total income tax liability of the Company.

6.5 Borrowings and borrowing costs

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and are included in markup accrued on loans and other payables to the extent of amount remaining unpaid.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent the borrowings costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

6.6 Financial Instruments

Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss'. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in the 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 the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial assets

a) Initial measurement

The Company classifies its financial assets in the following categories:

(i) at fair value through profit or loss

(ii) at fair value through comprehensive income

(iii) measured at amortized cost

A financial asset is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition.

b) Subsequent measurement

The financial assets are subsequently measured as follows:

(i)	Financial assets at fair value through profit and loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.
(ii)	Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.
(iii)	Debt investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

(iv) Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of 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 other comprehensive income and are never reclassified to the statement of profit or loss.

6.7 Trade and other payable

a) Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

b) Non-financial liabilities

These on initial recognition and subsequently are measured at cost.

6.8 Long term deposits

These are stated at cost which represents the fair value of consideration given.

6.9 Stores, spare parts and loose tools

These are normally held for internal use and valued at moving average cost less allowances for obsolete and slow moving items except stores in transit which are valued at invoice values plus other charges incurred thereon up to the balance sheet date. For items which are slow moving and/ or identified as surplus to the Company's requirements, adequate impairment is recognized. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

6.10 Stock-in-trade

Basis of valuations are as follows:

Particulars	***Mode of Valuation***
Raw material - at warehouse	at lower of weighted average cost and net realizable value
- in transit	at cost accumulated to the balance sheet date
Work-in-process	at estimated manufacturing cost
Finished goods	at lower of cost and net realizable value
Waste	at realizable value

Cost in relation to work-in-process and finished goods represents average manufacturing cost which consists of prime cost and proportion of manufacturing overheads based on normal capacity. Net realizable value signifies selling price in ordinary course of business less estimated costs of completion and estimated cost necessary to make the sale.

6.11 Cash and cash equivalents

Cash and cash equivalents are carried in the financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks and short-term deposits which are held to maturity.

6.12 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

6.13 Impairment

a) Financial assets

The Company recognizes loss allowances for expected credit losses in respect of financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured at 12 months expected credit

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance 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.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, 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 expected credit losses are the losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of losses 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 expected credit losses 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.

b) Non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss.

6.14 Provisions

A provisions is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an out flow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

6.15 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

6.16 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. The accounting methods adopted for various types of transactions and balances with related parties are as follows:

a) Sale of goods and services

Revenue from sale of goods and services to related parties is recognized in accordance with the revenue recognition policy of the Company for such transactions. Receivables against sale of goods outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

b) Purchases of goods and services

Purchases of goods from related parties are recognized at actual cost to the Company. Payables against purchases from related parties outstanding at the reporting date are carried at amortized cost in accordance with the accounting policy of the Company for such balances.

c) Dividend distribution

Distribution to related parties having shareholding in the Company is recognized in accordance with the accounting policy of the Company for dividend distribution to ordinary shareholders.

6.17 Determination of fair value

A number of Company's accounting policies require determination of fair value, for both financial and non-financial assets and liabilities. Fair values of assets and liabilities is determined as follows:

a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future net cash in flows, discounted at the market rate of interest at the reporting date.

b) Trade and other payables

The fair value of trade and other payables is estimated as the present value of future net cash out flows, discounted at the market rate of interest at the reporting date.

c) Borrowings

The fair value of borrowings is determined using effective interest method.

6.18 Figures

Figures have been rounded off to the nearest of rupee.

	2019	2018	2019	2018
	------------- Number of shares ------------		----------- Rupees in '000 -----------	
7 SHARE CAPITAL				
Authorized capital				
Ordinary shares of Rs. 10 each	**5,000,000**	5,000,000	**50,000**	50,000
Issued subscribed and paid up capital				
Ordinary shares of Rs. 10 each				
- fully paid in cash	**350,000**	350,000	**3,500**	3,500
- fully paid as bonus shares	**1,050,000**	1,050,000	**10,500**	10,500
	1,400,000	1,400,000	**14,000**	14,000

	2019	2018	Equity Held
	--------- Number of Shares ---------		% age
7.1 Shares held by associated companies / related parties			
Amin Textile Mills (Private) Limited	**342,824**	342,824	24.49%
Surriya Textile Mills (Private) Limited	**61,600**	61,600	4.40%
	404,424	404,424	28.89%

7.2 The shareholders' are entitled to receive all distributed to them including dividend and other entitlements in the form of bonus shares and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

7.3 There is no movement in share capital during the year:

		2019	2018
		----------- Rupees in '000 -----------	
8 RESERVES			
Capital reserves		**6,124**	6,124
Special reserve	- note 8.1	**267**	267
Investment in associates	- note 8.2	**686**	686
General reserves		**70,550**	70,550
		77,627	77,627

8.1 Special reserve

This represents reserve created under section 15 BB of the Income Tax Ordinance, 2001.

8.2 Investment in associates

This represents reserve created due to consolidation of associated undertaking as per the requirement of International Accounting Standard 28 - 'Investment in Associates".

		2019	2018
		Rupees in '000	

9 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus created on revaluation of property, plant and equipment of -

		2019	2018
Company's own assets	- note 9.1	**407,177**	298,338
		407,177	298,338

9.1 Company's own assets - net of deferred tax

	2019	2018
At the beginning of the year	**329,310**	331,957
Adjustment of the assets derecognized during the year	**158,380**	-
Transfer to unappropriated profit in respect of:		
- Incremental depreciation on revalued assets	**6,540**	2,647
- Disposal of plant and machinery	**-**	-
	6,540	2,647
	481,150	329,310
Related deferred tax liabilities:		
- At beginning of the year	**30,972**	32,825
- Adjustment of the assets derecognized during the year	**47,514**	-
- Effect of change in tax rate	**(2,616)**	(1,059)
- Incremental depreciation on revalued assets	**(1,897)**	(794)
	73,973	30,972
	407,177	298,338

9.1.1 The Company, revalued its freehold land, buildings on freehold land and plant and machinery for different locations during the year ending 30 June 2016 (detailed below) in order to book property, plant and equipment at realizable value. The said revaluation exercise was carried-out by M/s. Hamid Mukhtar & Co. (Private) Limited and M/s. SURVAL (approved Valuers on the panel of Pakistan Banks' Association) to replace the carrying amounts of assets with the market values and revaluation adjustments were incorporated.

The basis of revaluation are as under:

Freehold land	The value of land is based on inquiries in the activity of land and also information obtained from different sources in the area.
Buildings on freehold land	The value of building is based on information of construction details, covered areas and quality of constructions were noted and new rate of construction per square foot was determined based upon estimates of balance life to arrive at new construction value.
Plant and machinery	The value is based on inquiries from the local market, market based comparisons and setting price of machinery to obtain prevalent replacement values of similar local and imported machinery items.

			2019	2018
			Rupees in '000	
10	**LONG-TERM FINANCES**			
	Mark-up bearing secured finances from financial statements			
	Allied Bank Limited	- note 10.1	**245,094**	245,094
	Fayasal Bank Limited	- note 10.2	**53,916**	53,916
	Bank of Punjab	- note 10.3	**-**	57,817
			299,010	356,827
	Less: Long-term finances transferred to current liabilities			
	Current portion		**37,840**	54,471
	Overdue portion of long-term finances		**107,020**	107,020
			144,860	161,491
			154,150	195,336

		2019	2018
10.1	**Allied Bank Limited**		
	Demand Finance - I	**137,189**	137,189
	Demand Finance - II (Frozen Mark-up)	**12,925**	12,925
	Demand Finance - III (Frozen Mark-up)	**2,636**	2,636
	Demand Finance - IV (Frozen Mark-up)	**92,344**	92,344
		245,094	245,094
10.2	**Fayasal Bank Limited**		
	Demand Finance	**53,916**	**53,916**
10.3	**Bank of Punjab**		
	Demand Finance - I	**-**	32,111
	Demand Finance - II (Frozen Mark-up)	**-**	3,182
	Demand Finance - III (Frozen Mark-up)	**-**	22,524
		-	57,817
10.4	**The movement in long-term finances is as under:**		
	At beginning of the year	**356,827**	357,977
	Less: Adjustment of mark-up payable	**(25,706)**	-
	Less: Paid during the year	**(32,111)**	(1,150)
		299,010	356,827
	Less: Long-term finances transferred to current liabilities		
	Current portion	**37,840**	54,471
	Overdue portion of long-term finances	**107,020**	107,020
		144,860	161,491
		154,150	195,336

10.5 The exposure of the Company's borrowings to interest rate changes and the contractual reprising dates at the balance sheet dates are as follows:

	2019	2018
Not later than one year	**129,885**	146,516
Later than one year	**154,150**	195,336
	284,035	341,852

10.6 The detail particulars, securities, other arrangements and repayment schedules are detailed hereunder -

			2019	2018
			------------- Rupees in '000	-------------
11	**DEFERRED LIABILITIES**			
	Employee retirement benefits	- note 11.1	**-**	-
	Deferred taxation	- note 11.2	**73,973**	30,972
			73,973	30,972

11.1 Employee retirement benefits

The amount recognized in balance sheet is as follows:

	2019	2018
Net liability at beginning of the year	**-**	-
Less: Amount no longer payable written back	**-**	-
	-	-

The movement in present value of defined benefit obligations is as under:

	2019	2018
At beginning of the year	**-**	-
Less: Amount no longer payable written back	**-**	-
At end of the year	**-**	-

Employee retirement benefits

As the company has ceased its operations and accordingly, the company has stop providing for employee retirment benefits and amount no longer payable to employees had been written back. Hence, had not provided additional disclosures required under IAS 19.

11.2 Deferred taxation

	2019	2018
Deferred tax liability on taxable temporary differences		
Surplus on revaluation of property, plant and equipment	**73,973**	30,972
Deferred tax asset on deductible temporary differences	**-**	-
	73,973	30,972

As the furture taxable profits are not available to the Company hence no deferred tax asset is recognized in the finanical statements except the deferred tax liability over revaluation surplus created over assets of the Company.

			2019	2018
12	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**135,000**	175,000
	Advances from customers		**58,151**	58,151
	Accrued liabilities		**50**	250
	Other payable		**200**	10,297
			193,401	243,698
13	**MARK-UP ACCRUED ON BORROWINGS**			
	Long term finances	- note 13.1	**6,406**	6,406
	Short-term borrowings	- note 13.2	**25,866**	25,866
			32,272	32,272

13.1 Long term finances

The mark-up on long-term finances is frozen by all the financial institutions, which will be paid on repayment of principal portion of loans, hence no provision for accrued mark-up is provided in financial statements.

13.2 Short-term borrowings

The Company has only provided mark-up for first half of the financial year, which was paid, for the subsequent period, the management of the Company is in negotiations with financial institutions for rescheduling / restructuring of its short-term borrowing along with mark-up to be converted in long-term finances.

		Sanctioned Limits 2019	Sanctioned Limits 2018	Amount Availed 2019	Amount Availed 2018
		Rupees in '000		Rupees in '000	
14 SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS					
Interest bearing secured borrowings					
Running finance	- note 14.1	**1,006,000**	1,006,000	**233,178**	233,178
Book overdraft	- note 14.2			**1,023**	6,333
		1,006,000	1,006,000	**234,201**	239,511

14.1 Running finance

Various banks have sanctioned credit facilities of Rs. 1,006 million (2018 : Rs. 1,006 million) for working capital requirements which were expired last year and had not been renewed by the financial institutions. These facilities carried markup ranging from 8.50% to 20.00% (2018 : 8.50% to 20.00%) per annum. These were secured against pledge of cotton with 10% to 20% margin, pledge of polyester, lien, first pari passu charge on current assets and fixed assets, ranking charge over all present and future current assets of the Company and personal guarantees of the directors of the Company.

14.2 Book overdraft

This represents cheques issued in excess of bank balance. Since there was no bank facility, this has been groped under book overdraft.

		2019	2018
		Rupees in '000	
15 SHORT-TERM BORROWINGS FROM RELATED PARTIES			
Borrowings from related parties	- note 15.1	116,946	49,899

15.1 Loan from associated undertakings

This represents unsecured and interest free borrowings from related parties of the Company. The loan is payable on demand with mutual consent of management of the Company, therefore, the loan is classified under current liabilities. Maximum aggregate balance at the end of any month during the year was Rs. 116.946 million (2018: 49.899 million).

		2019	2018
16 CURRENT PORTION OF LONG-TERM FINANCES			
Long-term finances	- note 10	**144,860**	161,491

17 CONTINGENCIES AND COMMITMENTS

		2019	2018
a)	Bank guarantees issued in favour of government departments	28,154	28,154

b) The Company had filed a suit COS No. 9/2012 against the financial institutions before the Honorable Lahore High Court, Lahore against the claim of Rs. 109.334 million on account of their charging excess markup and markup over markup on long-term finances. The Company withheld payment of Rs. 50.00 million to the financial institutions outstanding as on December 31, 2008 in running finance. The management of the Company has evaluated after consulting their solicitors that the Company has a prima facie good case for which there is every likelihood of success and hence no provision has been made for the same in these financial statements. The outcome of the case is not ascertainable as at 30 June 2018.

c) The Company is in the process of negotiations with various financial institutions over the rescheduling / restructuring of short-term borrowings to long-term finances in view of the turmoiled financial position of the Company, primarily due to the overall disturbed economic and social environment of the country. In lieu of the stated negotiations, the Company is no longer providing mark-up on short-term borrowings. The management of the Company is of the view that these negotiations will soon be finalized in favour of the Company.

d) There are no outstanding commitments of the Company as on year end (2018: Nil).

18.3 Had there been no revaluation, the carrying amount of the specific class of assets would have been as follows:

	Cost	Accumulated Depreciation	Book Value
	------------- Rupees in '000 -------------		
As at 30 June 2019			
Freehold land	47,316	-	47,316
Buildings on freehold land	147,319	105,676	41,643
Plant and machinery	5,524	2,642	2,882
	200,159	108,318	91,841
As at 30 June 2018	47,316	-	47,316
Freehold land	147,319	104,608	42,711
Buildings on freehold land	1,369,679	800,977	568,702
Plant and machinery	1,564,314	905,585	658,729

		2019	2018
		------------ Rupees in '000 ------------	
18.4 Depreciation for the year has been allocated as -			
Administrative and general expenses	- note 25	**7,929**	18,695
Other income - rental income from generator		**331**	339
		8,260	19,034

As the company's operations are NIL, the depreciation is charged to administrative expenses.

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

Location	Usage of immovable property	Total Area (In acres)
Unit-I 32-Km, Lahore Sheikhupura Road,Ismail Abad-Sheikhupura	Manufacturing facility	**13.000**
Unit-II 8-km, Sheikhupura Faisalabad Road, Kharianwala, District Sheikhupura	Manufacturing facility	**21.162**

19 LONG-TERM DEPOSITS

		2019	2018
Deposits with various institutions	- note 19.1	**9,647**	9,302

19.1 Deposits with various institutions

These are interest free refundable deposits with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

			2019	2018
			Rupees in '000	
20	**TRADE DEBTS**			
	Local debts (unsecured but considered good)		**1,650**	1,500
21	**LOANS AND ADVANCES**			
	Advances to Suppliers and contractors - considered good		**1,406**	782
22	**BALANCES DUE FROM GOVERNMENT**			
	Income tax recoverable	- note 22.1	**14,599**	19,457
	Sales tax refundable		**33,912**	33,912
			48,511	53,369
	22.1 Income tax recoverable			
	At beginning of the year		**19,457**	23,189
	Add: Income tax deducted / collected during the year		**35**	22
			19,492	23,211
	Less: Provision for current year's taxation		**(4,893)**	(3,754)
	At end of the year		**14,599**	19,457
23	**CASH AND BANK BALANCES**			
	In hand		**1,035**	277
	With banks:			
	- on current accounts		**2,901**	-
	- on saving accounts		**4**	4
			2,905	4
			3,940	281

23.1 Mark up rate in respect of savings accounts ranges between 6% and 9% (2018: 6% to 9%) per annum.

		2019	2018
		Rupees in '000	
24	**OTHER OPERATING INCOME**		
	Rental income	**22,662**	16,572
	Scrap slae	**3,168**	-
	Reversal of frozen mark-up (BOP)	**25,706**	-
		51,536	16,572

			2019	2018
			Rupees in '000	
25	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and allowances	- note 25.1	**1,285**	2,725
	Rent, rates and taxes		**163**	163
	Travelling and conveyance		**439**	47
	Utilities and communications		**6,800**	21,915
	Legal and professional charges		**694**	-
	Auditor's remuneration	- note 25.2	**50**	250
	Depreciation on property, plant and equipment	- note 18.4	**7,929**	18,695
	Loss on sale of fixed assets		**556,747**	-
	Other expenses		**238**	819
			574,345	44,614

25.1 Salaries and allowances

This include employee retirement benefits amounting to Rs. NIL (2018: NIL).

25.2 Auditor's remuneration

	2019	2018
Statutory audit fee	**35**	150
Fee for interim review and other certifications	**15**	100
	50	250

			2019	2018
26	**FINANCE COST**			
	Mark-up on long-term finances		-	-
	Bank charges and commission		**7**	10
			7	10
27	**TAXATION**			
	Current	- note 27.1	**4,893**	3,754
	Deferred		**(1,897)**	(794)
			2,996	2,960

27.1 Current year's taxation

Provision for current year's taxation has been made in accordance with the relevant provisions of the Income Tax Ordinance, 2001.

27.2 Prior period's taxation

Income tax assessments of the Company have been finalized up to tax year 2018 in accordance with deeming provision of the Income Tax Ordinance, 2001.

27.3 Numerical reconciliation between the average tax rate and the applicable tax rate

	2019	2018	2019	2018
	% age		Rupees in '000	
Applicable tax rate	**29.00%**	30.00%	**(156,845)**	(8,696)
Tax effects of amounts that are:				
Not allowable for taxation	**0.36%**	2.56%	**(1,897)**	(794)
Difference in tax rates	**-29.93%**	-43.11%	**161,738**	12,450
Effective tax rate/tax	**-0.57%**	-10.55%	**2,996**	2,960

27.4 Sufficiency of tax provision

As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2018	2017	2016
	---------- Rupees ----------		
Provision as per financial statements	3,754	3,110	1,140
Tax assessment	3,754	3,110	1,140

28 LOSS PER SHARE (BASIC AND ANTI-DILUTIVE)

		2019	2018
Loss attributable to ordinary equity holders of the Company	*(Rupees)*	**(525,812,000)**	(31,012,000)
Weighted average number of ordinary shares	*(Number)*	**1,400,000**	1,400,000
Loss per share - basic and anti dilutive	*(Rupees)*	**(375.58)**	(22.15)

28.1 There is no anti dilutive effect on the basic loss per share.

29 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.

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 either directly (that is, derived from (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) 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. The Company has not disclosed the fair values for some financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

30 FINANCIAL RISK MANAGEMENT

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between the various sources of finance to minimize the finance related risks to the entity. The Company has exposure to the following risks from its use of financial instruments:

a) Credit risk;

b) Liquidity risk; and

c) 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.

30.1 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 of the Company.

Risk management systems are reviewed regularly by the executive management team 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.

30.2 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 Company does not have significant exposure to any individual counterparty. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. 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.

30.2.1 Exposure to credit risk

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

	2019	2018
	Rupees in '000	
Trade debts	**1,650**	1,500
Bank balances	**3,940**	281
Loans and advances	**1,406**	-
Long-term deposits	**9,647**	9,302
	16,643	11,083

The detail description with terms of finances with each financial institution is as under -

Description	*Interest*	*Other terms and conditions* — *Security*	*Other terms and conditions* — *Arrangements and repayments*	**2019**	2018
				Rupees in '000	
Allied Bank Limited	3 months kibor (2018: 3 months kibor)	The loan is secured by first pari passu charge over plant and machinery of the Company to the extent of Rs. 204.380 million inclusive of specific charge of Rs. 133.616 million over plant and machinery and mortgage of land of the Company situated at Shiekhupura and personal guarantee of directors of Company.	The loan is repayable in seventy two (72) installments, commenced from March 2011.	**137,189**	137,189
			The mark-up will accrue over a period of six years and will be transferred to frozen mark-up account. Frozen mark-up will be repaid in thirty six (36) equal monthly installments commencing from March 2017 after repayment of principal amount of the loan.	**92,344**	92,344
			Demand Finance 2 (frozen mark-up) which stands overdue and was payable in forty five (45) equal monthly installments commenced from March 31, 2011.	**12,925**	12,925
			Demand Finance 3 (frozen mark-up) which also stands overdue and was payable on December 2011.	**2,636**	2,636
Bank of Punjab		The settlement has been made with the bank during the year and the same has been paid as per the settlement agreement.	The settlement has been made with the bank during the year and the same has been paid as per the settlement agreement.	**-**	36,443
				-	22,524
Fayasal Bank Limited	Avergae kibor (2018: Nil)		This loan had been created by converting short-term borowings in Demand Finance. According to the amended agreement, the loan is repayable in four years.	**53,916**	53,916
				299,010	357,977

30.2.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

- **(a) Counterparties without external credit ratings**

The trade debts as at the balance sheet date are classified in Pak Rupees. The aging of trade debts at the balance sheet date is as follows:

Past due 0 - 30 days	**-**	-
Past due 31 - 60 days	**150**	-
Past due 61 - 365 days	**1,500**	1,500
	1,650	1,500

The Company has a policy for provision for doubtful receivables based upon the age analysis which is being implemented. Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

- ***(b) Other financial assets***

Based on past experience the management believes that no impairment allowance is necessary in respect of long term deposits and loans and advances as there are reasonable grounds to believe that these balances will be recovered.

- ***(c) Counterparties with external credit ratings***

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

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

	Rating		
	Short-term	**Long-term**	**Agency**
Habib Bank Limited	A-1+	AAA	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS
Bank Alfalah Limited	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA
The Bank of Punjab	A1+	AAA	PACRA
JS Bank Limited	A1+	AA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
SME Bank Limited	B	AA-	PACRA
Habib Metropolitan Bank	A1+	B-	PACRA
Meezan Bank Limited	A-1+	AA+	JCR-VIS
Allied Bank Limited	A1+	AA+	PACRA
Summit Bank Limited	A-1	AAA	JCR-VIS
Bank Al Habib Limited	A1+	A-	PACRA
Silk Bank Limited	A-2	AA+	JCR-VIS

30.2.3 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 assets is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

30.3 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note to these financial statements. Carrying amount and contractual cashflows of trade and other financial liabilities are approximately same.

	2019			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	---------- Rupees in '000 ----------			
Long-term finances	299,010	305,416	151,266	154,150
Trade and other payables	135,050	135,050	135,050	-
Short-term borrowings	234,201	260,067	260,067	-
Borrowings from related parties	116,946	116,946	116,946	
	785,207	817,479	663,329	154,150

	2018			
	Carrying amount	*Contractual cash flows*	*Not later than 1 year*	*Later than 1 year*
	---------- Rupees in '000 ----------			
Long-term finances	356,827	363,233	147,967	215,266
Trade and other payables	175,250	175,250	175,250	-
Short-term borrowings	239,511	265,377	265,377	-
Borrowings from related parties	49,899	49,899	49,899	-
	821,487	853,759	638,493	215,266

30.4 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 the return on risk.

a) Foreign currency risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials and plant and machinery, if any. The Company is not exposed to any foreign currency risk as there are very minimal such transactions.

b) Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and liabilities that mature in given period. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Exposure to currency risk

The company is exposed to currency risk on trade debts, borrowing and import of raw material and stores that are denominated in a currency other than the respective functional currency of the company, primarily in US Dollar. The currencies in which these transactions primarily are denominated is US Dollar. The company is not exposed to currency risk as at year end.

Interest rate risk

The interest rate risk is the risk that value of financial instrument will fluctuate due to changes in the market interest rates. Majority of the interest rate exposures arises from short and long term borrowings from bank and term deposits and deposits in PLS saving accounts with banks. At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

Variable rate instruments	**30 June 2019**	30 June 2018	**30 June 2019**	30 June 2018
	-------------%	-------------	------------- Rupees	-------------
Short term borrowings	**Ranging 8.5% to 20.0%**	Ranging 8.5% to 20.0%	**234,201**	239,511
Long term finances	**3M KIBOR + 5% with floor of 7%**	3M KIBOR + 5% with floor of 7%	**299,010**	356,827

Fair value sensitivity analysis for floating rate instruments

The Company does not account for any fixed / floating rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

c) Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuates as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument traded in the market. The Company is not exposed to any significant price risk.

30.5 Determination of fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital are to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowing divided by total capital employed. Borrowing represents long term financing form banking companies and suppliers, long term financing from associated undertakings, long term financing from directors and sponsors and long term portion of liabilities against assets subject to finance lease. Total capital employed includes total equity as shown in the balance sheet plus borrowings.

	2019	2018
	---------- Rupees in '000 ----------	
Total borrowings	**505,297**	484,746
Less: Cash and bank balance	**3,940**	281
Net debt	**501,357**	484,465
Total Equity	**(308,816)**	103,514
Total capital	**192,541**	587,979
Gearing ratio	**260%**	82%

32 **REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

No remuneration has been paid to directors, chief executive and executives during the year ended 30 June 2019 (2018 : NIL).

33 **RELATED PARTY DISCLOSURE**

33.1 **Disclosure of transactions between the Company and related parties**

The related parties of the Company comprise of associated undertakings, directors of the Company, key management personnel and entities under common directorship. Balances are disclosed elsewhere in the financial statements.

33.2 **Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.**

Company Name	Basis of relationship
Ali Leather Works (Private) Ltd	By virtue of common management and directorship
Amin Textile Mills (Private) Ltd	By virtue of common management and directorship
Surriya Textile Mills (Private) Ltd	By virtue of common management and directorship
Bashir Cotton Mills (Private) Ltd	By virtue of common management and directorship

34 **PLANT CAPACITY AND ACTUAL PRODUCTION**

	2019	2018
Rated annual capacity after conversion into 20's (Kgs)	**18,754,968**	18,754,968
Total number of spindles installed	**59,472**	59,472

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year.

35 **NUMBER OF EMPLOYEES**

	2019	2018
	---------------- Numbers ------------	
Total number of employees at end of year	15	15
Average number of employees during the year	15	15

36 **RECLASSIFICATIONS AND RE-ARRANGEMENTS**

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison.

37 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the board of directors of the Company and authorized for issue on ______________________________.

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

Lahore.

Financial instruments on reporting date	*Carrying Amount*				*Fair Value*			
	As at 30 June 2019							
	Fair value through profit or loss	*Amortized cost*	*Other financial liabilities*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	Rupees							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade debts	1,650	-	-	1,650	-	-	-	-
Receivable from associates	-	-	-	-	-	-	-	
Loans and advances	1,406	-	-	1,406	-	-	-	-
Trade deposits	-	-	-	-	-	-	-	
Interest accrued	-	-	-	-	-	-	-	-
Bank balances	3,940	-	-	3,940	-	-	-	-
	6,996	-	-	6,996	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term finances	-	-	299,010	299,010	-	-	-	-
Lease obligations	-	-	-	-	-	-	-	-
Trade payables	-	-	193,401	193,401	-	-	-	-
Accrued mark-up	-	-	32,272	32,272	-	-	-	-
Short term borrowings	-	-	351,147	351,147	-	-	-	-
	-	-	875,830	875,830	-	-	-	-

Financial instruments on reporting date	Carrying Amount				Fair Value			
	---------- As at 30 June 2018 ----------							
	Fair value through profit or loss	*Amortized cost*	*Other financial liabilities*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	---------- Rupees ----------							
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade debts	1,500	-	-	1,500	-	-	-	-
Receivable from associates	-	-	-	-	-	-	-	
Loans and advances	782	-	-	782	-	-	-	-
Trade deposits	-	-	-	-	-	-	-	
Interest accrued	-	-	-	-	-	-	-	-
Bank balances	281	-	-	281	-	-	-	-
	2,563	-	-	2,563	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term finances	-	-	356,827	356,827	-	-	-	-
Lease obligations	-	-	-	-	-	-	-	-
Trade payables	-	-	243,698	243,698	-	-	-	-
Accrued mark-up	-	-	32,272	32,272	-	-	-	-
Short term borrowings	-	-	289,410	289,410	-	-	-	-
	-	-	922,207	922,207	-	-	-	-

18 PROPERTY, PLANT AND EQUIPMENT

18.1 Reconciliation of carrying values at end and beginning of the year

PARTICULARS	COST / REVALUED AMOUNTS			DEPRECIATION				BOOK VALUE	Annual
	At beginning of the year	Additions / (Disposals)	At end of the year	At beginning of the year	Charge for the year	Adjsutments	At end of the year	At end of the year	rate of dep.
	--- Rupees in '000 ---								% age
As at 30 June 2019									
Freehold land	273,384	-	273,384	-	-	-	-	273,384	-
Buildings on freehold land	358,870	-	358,870	52,794	7,652	-	60,446	298,424	2.50
Plant and machinery	521,825	(517,301)	4,524	113,246	30	(109,935)	3,341	1,183	2.50
Tools and equipment	814	-	814	738	8	-	746	68	10.00
Furniture and fixtures	3,780	-	3,780	3,119	66	-	3,185	595	10.00
Office equipments	2,893	-	2,893	2,502	39	-	2,541	352	10.00
Computers and equipment	1,428	-	1,428	1,362	20	-	1,382	46	30.00
Motor vehicles	31,988	-	31,988	29,762	445	-	30,207	1,781	20.00
Total - 30/June/2019	1,194,982	(517,301)	677,681	203,523	8,260	(109,935)	101,848	575,833	
As at 30 June 2018									
Freehold land	273,384	-	273,384	-	-	-	-	273,384	-
Buildings on freehold land	358,870	-	358,870	44,946	7,848	-	52,794	306,076	2.50
Plant and machinery	521,825	-	521,825	102,770	10,476	-	113,246	408,579	2.50
Tools and equipment	814	-	814	729	9	-	738	76	10.00
Furniture and fixtures	3,780	-	3,780	3,045	74	-	3,119	661	10.00
Office equipments	2,893	-	2,893	2,459	43	-	2,502	391	10.00
Computers and equipment	1,428	-	1,428	1,334	28	-	1,362	66	30.00
Motor vehicles	31,988	-	31,988	29,206	556	-	29,762	2,226	20.00
Total - 30/June/2018	1,194,982	-	1,194,982	184,489	19,034	-	203,523	991,459	

18.2 Assets de-recognized during the year

Type of asset	Cost	Book Value Cost	Book Value Revalued	Sale proceeds	Loss	Buyers particulars	Mode of Disposal and Relationship with the Buyer
Plant and machinery	1,133,492	379,135	271,577	6,000	371,165	Rizwan Textile Mills Limited	Negotiations | None
Plant and machinery	566,746	189,567	135,789	3,000	185,582	Comfort Knitwears (Private) Limited	Negotiations | None
	1,700,238	**568,702**	**407,366**	**9,000**	**556,747**		