

39th
ANNUAL
REPORT
2020

SUHAIL JUTE MILLS LIMITED

39th ANNUAL REPORT 2020

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Company Information**Chairperson**

Mrs. Neelum Sohail Shaikh

**Board of Directors /
Chief Executive**

Sohail Farooq Shaikh

Directors

Farrukh Haroon Rashid
Mrs. Neelum Sohail Shaikh
Mrs. Sadia Mohsin
Mr. Shahmeer Shaikh
Mr. Saleem Asghar Mian
Mr. Syed Ibrahim Ahmad

Audit Committee

Mrs. Sadia Mohsin
Mrs. Neelum Sohail Shaikh
Farrukh Haroon Rashid

HR and Remuneration Committee

Chairperson – Mrs Sadia Mohsin Shaikh
Mr. Sohail Farooq Shaikh
Mr. Syed Ibrahim Ahmed

Company Secretary

Farzand Ali Khan Bangash

Chief Finance Officer

Mohammad Amjad Iqbal

Share Registrar

Corplinks (Pvt) Ltd., Lahore

Auditors

Crowe Hussain Chaudhury & Co
Chartered Accountants, Islamabad

Registered Office

14-B, Civil Lines, Rawalpindi

Factory

Kabul River Railway Station
Mardan Road, Khyber Pakhtunkhwa

Vision

**To excel in delivering highest standards quality
Jute products to customers as per
their customized needs.**

Mission Statement

**To transform Company into a modern and dynamic Jute Industry
and to provide quality products to consumers and explore new
markets to promote / extend sale of the Company's products through
good governance and foster a sound and dynamic team, so as to
achieve optimum profitability**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the members of Suhail Jute Mills Limited, (“the Company”) is to be held on Wednesday 28 October, 2020, at the Registered Office of the Company, 14-B Civil Lines Rawalpindi at 11:30 AM,

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Director’s and Auditor’s Reports thereon.
2. To appoint Auditors of the Company for the year ending June 30, 2021 and fix their remuneration. The present auditors, Crowe Horwath Hussain Chaudhry Chartered Accountant, have consented to continue as Auditors and the Board of Directors, based on the recommendation of Audit Committee, has recommended their re-appointment as auditors of the Company, for the year ending June 30, 2021.
3. To discuss any other matter with the permission of the Chair.

SPECIAL BUSINESS***PREAMBLE***

Whereas it had become necessary to dispose off a part of the Company’s Land, with the structures thereon, in order to meet the terms of the Court Decrees of the Banking Court and to repay long standing creditors, governmental dues, employees’ dues and other creditors and further, to implement the terms of the Court approved Merger plan to restructure the Company’s finances, the following Special Resolution as required by Section 183(3)a, of the Companies Act 2017.was passed on 11 June 2019

As over a year has passed since the passing of the Special Resolution, it stands lapsed in terms of Section 183(5) of the Companies Act 2017. Now, therefore, it is necessary to **renew** the Special Resolution and it is proposed that the members pass, with or without modification, the following Resolution, as a Special Resolution:

RESOLVED THAT: The Board of Directors be and hereby is, authorized by this Special Resolution to take all necessary steps to dispose off part of the Land of the Company with the structures thereon, at the best possible price and terms and in a manner, and over a time period, that is commercially practicable”, and,

FURTHER RESOLVED THAT: The Chairperson of the Board be, and hereby is, authorized to appoint a committee of Directors to give effect to the proposed transaction, with the approval of the Board.”

Statement of Disclosure of Material Facts, as specified by SRO 423(1) 2018.

S.No	PARTICULARS	DETAILS
1	DESCRIPTION/ NAME OF ASSET	LAND WITH BUILDING STRUCTURES THEREON
2	DATE OF ACQUISITION OF ASSET	1 JULY 2017, BROUGHT INTO BOOKS AFTER BEING ACQUIRED THROUGH MERGER
3	COST	RUPEES 281.643 MILLION (ACQUISITION VALUE AT MERGER)
4	REVALUED AMOUNT AND DATE OF REVALUATION	RUPEES 313 MILLION (REVALUED ON 14 MAY 2018)
5	BOOK VALUE	RUPEES 281.643 MILLION AS AT 30 JUNE 2018
6	APPROXIMATE CURRENT MARKET PRICE/ FAIR VALUE	ESTIMATED TO BE APPROXIMATELY RUPEES 700 MILLION
7	IN CASE OF SALE, IF EXPECTED SALE PRICE IS LOWER, GIVE REASONS	NOT EXPECTED TO BE LOWER
8	LOCATION OF LAND	AMANGARH, NOWSHERA, , K-PK
9	NATURE OF LAND (COMMERCIAL.AGRICULTURAL.ETC.,)	INDUSTRIAL
10	AREA PROPOSED TO BE SOLD	92 ACRES
11	MANNER OF DISPOSAL	BY NEGOTIATED SALE
12	IN CASE A POTENTIAL BUYER HAS BEEN IDENTIFIED- FACT OF WHETHER THE BUYER IS A RELATED PARTY OR NOT IS TO BE DISCLOSED	IT IS NOT EXPECTED THAT A POTENTIAL BUYER SHALL BE A RELATED PARTY
13	UTILIZATION OF PROCEEDS TO BE RECEIVED FROM TRANSACTION	SETTLEMENT OF LIABILITIES OF FINANCIAL INSTITUTIONS, SETTLEMENT OF GOVERNMENT AND EMPLOYEES DUES, SETTLEMENT OF OTHER CREDITORS AND PROVISION OF WORKING CAPITAL FOR REVIVING PRODUCTION
14	EFFECT ON OPERATIONAL CAPACITY	THERE WILL BE NO EFFECT ON OPERATIONAL CAPACITY
15	QUANTITATIVE AND QUALITATIVE BENEFITS TO ACCRUE TO THE MEMBERS	SETTLEMENT OF LONG STANDING OBLIGATIONS INCLUDING AVOIDING OF FORCED LIQUIDATION OF LAND BY DECREE HOLDERS MAKING THE COMPANY DEBT FREE AND MAKING WORKING CAPITAL AVAILABLE TO REVIVE PRODUCTION

The Directors of the Company are interested in the proposed sale only to the extent of their respective stakes as shareholders of the Company in any benefit that may inure to them in the normal course as shareholders or, creditors of the Company.

By Order of the Board of Directors
Company Secretary

Rawalpindi Dated: 03rd October 2020

1. The Register of members will remain closed from 20th October 2020 to 27th October 2020 (both dates inclusive). The Members whose names appear on the Register of Members as on 19th October 2020 shall be entitled to attend and vote at the AGM.
 2. A member entitled to attend speak and vote at the meeting shall also be entitled to appoint his / her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights with respect to attending, speaking and voting. The Instrument of Proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of that Power of Attorney or authority, in order to be effective, must be received by the Company at least 48 hours before the meeting. A proxy need not be a member of the Company. The Form of Proxy is enclosed with this notice. Members may request participation through Video link in terms of SECP Circular No.10. of 2014, read with section 134(1)(b) of the Companies Act 2017.
 3. Any company or other body corporate which is a member of the Company may, by resolution of its Directors, or proxy signed by authorized officers, authorize any of its officials or any other person to act as its representatives at the meeting and the person so authorized shall be entitled to exercise the same powers as if he/she were an individual member of the Company.
 4. Individual members who have lodged their shares at the Central Depository Company (CDC), desiring to attend the meeting are requested to bring their original Computerized National Identity Cards (CNICs) along with the Investor Account or Participant ID and House Account/Sub-Account numbers, for identification purposes, whereas, in case of corporate member, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee may preferably be provided to the Company well in advance or otherwise produced at the time of meeting.
 5. Members are requested to notify any change of their registered address, if any, immediately, but before the first day of book closure, to the Company Secretary.
 6. Pursuant to Section 242 of the Companies Act, 2017 (the Act) read with relevant provisions of the Companies (Distribution of Dividends) Regulations, 2017 (the Regulations), all listed companies have been mandated to pay dividend directly into the bank accounts of entitled shareholders, as designated by them. Please provide bank account details at the earliest.
 7. Members may access Financial Statements and other information from the company's Website (www.sjmlimited.com) and post comments and questions on email suhailjutemill@hotmail.com.
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**REVIEW REPORT OF THE CHAIRPERSON
FOR THE YEAR ENDED 30 JUNE 2020**

I am pleased to present my review report for the year ended 30 June 2020.

It is to be noted that the Company continues to be in a non-operational state. As such, there are no day to day commercial activities. The Company is in a transitional stage having completed a merger and following through on the Merger Plan that was approved as the basis of the merger as a precursor to re commencing normal business activity. Notwithstanding this, I am pleased to report that the Board has fully participated in the company's efforts to return to the path of commercial production and operations.

Central to this effort was a special resolution authorising the company to dispose off identified surplus assets in order to generate funds to pay off pressing liabilities in an orderly fashion and raise working capital to re start commercial operations.

During the year, the committee of Directors, constituted by the Board to dispose off the identified surplus assets, actively pursued the task allotted to them. The Directors on the Committee have been closely involved in all aspects of the origination of expressions of interest and negotiation with parties who expressed interest in acquiring the assets being disposed off. and Board has been kept apprised of the ongoing developments in a timely fashion. To the date of this review however, there has been no sale transaction that has materialised. Despite the limited scope of activity, the Board played an effective role in contributing to achieving the objectives of the Company. Directors' attendance and participation has been satisfactory.

COVID 19 OUTBREAK

One of the most significant events during the year was the outbreak of Covid19, which assumed pandemic proportions, worldwide. The Board took all steps to ensure the safety and well being of the company's staff by complying with the public health and governmental guidelines. We are thankful that no company employee was afflicted by Covid19. Moreover, no person was laid off by the Company as a consequence of the disruption wrought by the spread of the disease

I look forward to an improvement in the Company's overall state of affairs, once funds have been generated from the disposal of surplus assets and the company is able to recommence commercial production.

I wish to thank the Directors for their contribution and cooperation in ensuring the smooth and effective functioning of the Board.

NEELUM SOHAIL SHAIKH
CHAIRPERSON

RAWALPINDI, 03rd OCTOBER 2020

**DIRECTORS REPORT TO THE MEMBERS
FOR THE YEAR ENDED 30 JUNE 2020**

We are please to present to the shareholders the Directors Report for the period.
The following persons served on the Board of the Company during the financial year

NAMES OF DIRECTORS-

S. NO	Name	Current status	Total Meeting	Attend Meeting
1	SOHAIL FAROOQ SHAIKH	CEO	4	4
2	NEELUM SOHAIL SHAIKH	CHAIRPERSON	4	3
3	SADIA MOHSIN	DIRECTOR	4	4
4	FARRUKH HAROON RASHID		4	2
5	SHAHMEER SHAIKH	DIRECTOR	4	4
6	SALEEM ASGHAR MIAN	NOMINATED AS INDEPENDENT DIRECTOR	4	4
7	SYED IBRAHIM AHMAD	NOMINATED AS INDEPENDENT DIRECTOR	4	4

PRINCIPAL ACTIVITIES, DEVELOPMENT AND PERFORMANCE OF THE COMPANY

It is important to take into consideration the Company's its non-operational status and the fact that the Company is in a transitional phase post-merger with the possible benefits of the merger still not fully achieved..

The Company was unable to re-commence its commercial production due to the unavailability of working capital finance. As a result the Company is not considered as being a 'going concern' and has consequently presented its financial statements on a 'realizable basis'.

Subsequent to the completion of its merger with its former associated company, the Company has identified surplus assets that may be disposed off to repay Banks and other creditors and provide working capital finances to re-commence operations, as was envisaged in the Merger Plan approved by the Court in sanctioning the Merger.

The Company continued to incur administrative expenditure essential to safeguard its infrastructure, service its corporate and statutory obligations and to keep its existing plant and machinery in order. The entire amount of he funding required for this purpose was entirely met by funds provided by the principal shareholder, from personal resources.

During the year, the Company management actively sought buyers for its surplus assets. The Company received expressions of interest for the assets and is in the process of negotiating suitable terms of disposal, under Board supervision. Management remains hopeful that the disposal of assets will successfully take place in a reasonable period of time and the Company will be able to raise working capital.

PRINCIPAL RISKS AND UNCERTAINTIES

Needless to say, the fact that the Company has been non-operational for an extended period is subject to uncertainties and risks. The inordinate and unplanned delay in the completion of the merger has also exacerbated the risk. These risks are significantly offset by the availability of surplus assets that, when realized, are expected to be sufficient to meet its obligations and re -commence operations. The main risk faced by the company, is that the principal shareholder becomes unable sustain the

funding that is required to keep the Company in existence with no other source of funding available. Management, continues to pro actively pursue the implementation of the merger plan as a means of overcoming these risks.and has taken steps to implement the plan primarily by identifying surplus assets and initiating a process whereby funds are generated by the disposal of assets.

CHANGES IN THE NATURE OF THE BUSINESS OR ITS SUBSIDIARIES

Apart from the developments disclosed above no changes have taken place.
The Company has no subsidiaries.

COMMENTS IN AUDITORS REPORT.

There are no adverse qualifications in the Auditors' Report. The reference to 'material uncertainty', in the auditors' report is in consonance with the view of management. The accounts are presented on a 'realizable basis' and there is no presumption that the company remains a 'going concern'

PATTERN OF SHAREHOLDINGS

Attached in the specified Form-34

DOMICILE

The Company is a Pakistan domicile company and has no holding company.

EARNINGS (LOSS) PER SHARE

The Company incurred a loss of RS. 45.428 Million (RS 10.48 per share) during the year as compared to a loss of RS. 40.844 (RS. 9.43 per share) in the last financial year.

REASONS FOR LOSS AND PROSPECTS OF PROFIT

The losses have arisen because the Company has not been able re commence commercial production since its cessation of manufacturing operations in 2010. The operations were discontinued because of the extensive damage to the manufacturing facility by unprecedented floods and the subsequent non availability of working capital. The Company is hopeful that funds generated by the disposal of surplus assets will enable it to recommence commercial production, as envisaged in the Court approved Merger Plan. However, it is not possible to quantify or, specify the time horizon for this as it is entirely dependent on the outcome of the efforts to dispose off surplus assets, which is underway.

DEFAULTS IN DEBTS AND REASONS FOR DEFAULT

As detailed in the Financial Accounts, the Company is in default of its obligations to Financial institutions against which Decrees have been ordered and execution proceedings are being conducted in accordance with the law by the Courts of jurisdiction.

The Company defaulted on its obligations directly because of the damage to its assets and destruction of all its stocks by the Flood events of 2010. The stocks carried as collateral security for the working capital finance were destroyed by the flood waters leaving the company with the underlying debt outstanding. However, the lenders are adequately secured by mortgaged Assets, an arrangement that was put in place after the collateral stocks were lost due to the floods. The assets that are mortgaged against the said obligations are separate from those that have been identified as surplus assets and which are available for disposal.

ADEQUACY OF INTERNAL FINANCIAL CONTROL

The Company's internal financial controls are considered adequate in the circumstances. Due to its non-operational state and in the absence of any revenue source, all expenditure is being met by the

principal shareholder from personal resources. This in itself presupposes close scrutiny of all outgoings. as to justifiable need and cost.

The Company has accounting systems that provide complete and accurate financial information on a timely basis, that serve to safeguard its assets, detect and prevent fraud and errors. Moreover, due to the prescribed statutory frameworks such as the IFRS, Directors refer to, approve and authenticate financial statements based on the principles and guidance provided by such frameworks.

MATERIAL POST CLOSING CHANGES

There have been no material changes or commitments that have occurred between the close of the financial year on 30 June 2019 and the date of this report other than the issuance of a Show Cause Notice on 3 September 2020 by The Securities and Exchange Commission under section 301 (m) and Section 304 of the Companies Act 2017. The Company is addressing the matter.

MAIN TRENDS AND FACTORS LIKELY TO EFFECT THE COMPANY

The main trends and factors likely to effect the development, performance and position of the business of the Company do not apply in our case as it is in a non-operational state. However, the factors that will effect the future outcome of the implementation of the asset disposal process under the Merger plan is dependant on the market demand for assets and the ability of buyers to conduct transactions.

ENVIRONMENTAL IMPACT

As there is currently no manufacturing activity by the company there is no exceptional, measure able impact on the environment.

EFFECT OF COVID 19 ON THE COMPANY'S AFFAIRS

As the company is in an non operational state, there was no effect on the company's activities due to the public health safety measures imposed by the Government. Mercifully, no case of Covid19 afflicted any staff member of the Company. It is noteworthy that the Company did not lay-off any employees due to the pandemic and continued to pay all due emoluments in full over the period of the lockdown and beyond.

CORPORATE SOCIAL RESPONSIBILITY

As the Company has not generated any revenue it has no funds available to deploy towards specific corporate social responsibility projects or programs. However it continues to fulfill its obligations to its employees and their families.

DIRECTORS RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROL

In so far as Directors' responsibility for adequacy of internal financial control is concerned it is reported that they approve and authenticate the financial information that is produced by the company's accounting system in an timely, complete and accurate fashion, based on the framework stipulated by International Financial Reporting Standards (IFRS), as prescribed.

They are also responsible for the company's adherence to policies and procedures that guard against fraud and errors as well as the safeguarding of assets.

STATEMENT OF COMPLIANCE -CORPORATE GOVERNANCE

1. The total number of directors are 7 (Seven), as per the following:
 - a. Male: - 5 (Five)
 - b. Female - 2 (Two)
-

2. The composition of the Board is as follows:

- a) Independent Directors 2 (two)
- b) Other Non-executive Director 4 (four)
- c) Executive Directors 1 (one)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

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

9. The Company has not been able to arrange Directors' Training program during the year due to its financial constraints

10. The board has in the normal course approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

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

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

a) Audit Committee (Name of members and Chairman)

Chairperson- Mrs Sadia Mohsin
Member: Mrs. Neelum Sohail Shaikh
Member: Mr Farrukh Haroon Rashid

b) HR and Remuneration Committee (Name of members and Chairman) -

Chairperson- Mrs. Sadia Mohsin Shaikh
Mr.Mr. Sohail Farooq \Shaikh
Mr. Ibrahim Ahmad

c) Nomination Committee (if applicable) Not Applicable

d) Risk Management Committee (if applicable) Not Applicable

13. Due to the non-operational state of the company and the extremely limited scope of activities which, in the case of the HR function was practically non-existing The terms of reference of the

aforsaid committees have not been formally documented. and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee , were as per following:

- a) Audit Committee 4
- b) HR and Remuneration Committee 2
- c) Nomination Committee (if applicable)
- d) Risk Management Committee (if applicable) .

15. The Company has an effective internal audit function.The Company's internal auditor has a B.Com degree and 13 years of experience and is considered 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP *

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.

18. We confirm that all other requirements of the Regulations have been complied with.

CHIEF EXECUTIVE OFFICE /
DIRECTOR

APPROVED BY BOARD ON 03rd OCTOBER 2020

PATTERN OF SHAREHOLDING

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

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1036	1	100	34,433
191	101	500	57,392
53	501	1,000	41,715
67	1,001	5,000	157,665
17	5,001	10,000	107,132
4	10,001	15,000	43,000
3	15,001	20,000	56,119
2	20,001	25,000	42,400
1	35,001	40,000	39,500
1	55,001	60,000	55,328
1	155,001	160,000	155,298
4	320,001	325,000	1,292,900
1	895,001	900,000	895,437
1	1,350,001	1,355,000	1,354,500
1382			4,332,819

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	2,922,034	67.4396%
Associated Companies, undertakings and related parties. (Parent Company)	20,500	0.4731%
NIT and ICP	21,379	0.4934%
Banks Development Financial Institutions, Non Banking Financial Institutions.	16,845	0.3888%
Insurance Companies	3,062	0.0707%
Modarabas and Mutual Funds	766	0.0177%
Share holders holding 10% or more (One Shareholder)	2,249,937	51.9278%
General Public		
a. Local	1,341,934	30.9714%
b. Foreign	0	0.0000%
Others (to be specified)		
1- Joint Stock Companies	5,299	0.1223%
2- Others	1,000	0.0231%

**Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2020**

Sr. No.	Name	No. of Shares Held	Percentage
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Associated Companies, Undertakings and Related Parties (Name Wise Detail):

1	SURIYYA FAROOQ CHARITABLE FOUNDATION	20,000	0.4616
2	ISMAIL FAROOQ INDUSTTEIS (PVT.) LIMITED	500	0.0115

Mutual Funds (Name Wise Detail)	-	-
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Directors and their Spouse and Minor Children (Name Wise Detail):

1	MIAN SOHAIL FAROOQ SHAIKH	2,249,937	51.9278
2	MRS. SADDIA MOHSIN	328,439	7.5803
3	MRS. NEELUM SOHAIL	5,869	0.1355
4	MIAN FARRUKH HAROON RASHID	519	0.0120
5	MR. SHAHMEER SHAIKH	6,741	0.1556
6	SYED IBRAHIM AHMAD *	-	0.0000
7	MR. SALEEM ASGHAR MIAN *	-	0.0000
8	MRS. MEHREEN HAROON RASHID	330,529	7.6285

Note: * The independent Directors have acquired 500 shares each, but such acquisition could not be Registered due to technical reasons imposed by Pakistan Stock Exchange.

Executives:	-	-
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Public Sector Companies & Corporations:	-	-
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Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	20,673	0.4771
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Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

S. No.	Name	Holding	Percentage
1	MIAN SOHAIL FAROOQ SHAIKH	2,249,937	51.9278
2	MRS. SHARMEEN AZAM	323,500	7.4663
3	MRS. AMBREEN ZAHID BASHIR	323,300	7.4617
4	MRS. MEHREEN HAROON RASHID	330,529	7.6285
5	MRS. SADDIA MOHSIN	328,439	7.5803

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
	NIL		

KEY OPERATING FINANCIAL DATA.

A statement of key operating and financial data of the Company for the last seven years is summarised to the annual report.

PARTICULARS	2020	2019	2018	2017	2016	2015	2014
Net sales				-	-	-	-
Cost of sales				-	-	-	-
Operating expenses	45,427,732	42,019,311	39,663,624	58,365,685	52,819,466	36,214,403	48,854,450
Other income.	-	1,175,617	351,516	389,780	4,345,069	835,719	1,135,863
Earning per share - Rupees	- 10.48	- 9.43	- 9.07	- 15.48	- 12.94	- 9.45	- 12.74
FINANCIAL POSITION							
Equity	728,631,381	773,918,442	(527,578,640)	(493,439,861)	-309,971,864	(267,813,269)	(239,095,397)
Reserve on Revaluation of fixed assets		-	1,342,300,767	1,315,194,265	796,458,725	802,714,276	809,187,630
Loan from director	209,270,558	185,418,953	192,657,842	170,265,962	91,484,356	72,290,818	53,914,942
Deferred liabilities	7,178,018	6,323,910	5,720,034	6,003,930	4,720,831	4,141,673	3,825,599
Current liabilities.	428,777,156	414,759,139	371,399,593	359,877,408	314,808,519	308,617,411	299,667,184
	1,373,857,113	1,380,420,444	1,384,499,596	1,357,901,704	897,500,567	919,950,909	927,499,958
Fixed capital expenditure	1,363,630,743	1,367,774,830	1,372,317,468	1,345,997,034	816,430,237	823,374,924	830,675,520
Due from associated undertaking	-	-	-	-	69,037,148	67,534,658	66,032,859
Current assets.	10,226,370	12,645,614	12,182,128	11,904,670	12,033,182	29,041,327	30,791,579
	1,373,857,113	1,380,420,444	1,384,499,596	1,357,901,704	897,500,567	919,950,909	927,499,958

**INDEPENDENT AUDITORS' REPORT
TO THE SUHAIL JUTE MILLS LIMITED
Report on the Audit of the Financial Statements**

Opinion

We have audited the annexed financial statements of **SUHAIL JUTE MILLS LIMITED**, which comprise the Statement of financial position as at June 30, 2020, Statement of Profit and loss, Statement of changes in equity, Statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the Statement of financial position, Statement of Profit and loss, the statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the Loss, the comprehensive loss, and the cash flows and its changes in equity 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 the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan / Institute of Cost and management Accountants (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.

Material Uncertainty relating to Going Concern

The Company has incurred loss after taxation of Rs. 45.427 million (Year 2019: Rs.40.843 million). The Company has suffered accumulated loss of Rs. 857.942 million (Year 2019:Rs. 816.3640 million) as on June 30, 2020

The company has also ceased operations since June 2010. Thus, there is a material uncertainty of the company to continue as a going concern.

Key Audit Matter(s)

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

We have determined that there are no key audit matters to communicate in our report.

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

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

Our opinion on the financial statement 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 appear to be materially misstated. If, based on the work we have performed, we conclude that there is 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 Those Charge with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
-

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit of "**SUHAIL JUTE MILLS LIMITED**" for the year ended June 30, 2020 resulting in this independent auditors' report is C.A Habib.

Place: Islamabad

**CROWE HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE
TO THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Suhail Jute Mills Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2027. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review except for the above instance(s) of non-compliance, 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 Regulations as applicable to the Company for the year June 30, 2020.

Place: Islamabad
Dated: 24 September 2020

CROWE HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	Note	2020	2019
-----Pak Rupees-----			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital: (5,000,000 ordinary shares of Rs.10 each)		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up capital (4,332,819 ordinary shares of Rs. 10 each)	11	<u>43,328,190</u>	43,328,190
Reserves	12	<u>(845,820,788)</u>	(804,242,575)
Merger reserve		<u>196,362,085</u>	196,362,085
Surplus on revaluation of property, plant and equipment	13	<u>1,334,761,894</u>	1,338,470,742
		<u>728,631,381</u>	773,918,442
CURRENT LIABILITIES			
Staff retirement benefits	14	<u>7,178,018</u>	6,323,910
Trade and other payables	15	<u>181,469,883</u>	170,072,639
Accrued mark-up		<u>54,086,276</u>	54,086,276
Unclaimed dividend		<u>384,359</u>	384,359
Loan from directors		<u>209,270,558</u>	185,418,953
Short term borrowings - secured	16	<u>192,836,639</u>	190,215,865
Provision for taxation	17	<u>-</u>	-
		<u>645,225,732</u>	606,502,002
		<u>1,373,857,113</u>	<u>1,380,420,444</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	<u>1,363,440,743</u>	1,367,774,830
Long term investment	19	<u>190,000</u>	190,000
		<u>1,363,630,743</u>	<u>1,367,964,830</u>
CURRENT ASSETS			
Cash and bank balances	20	<u>1,542,788</u>	279,980
Short term investments		<u>-</u>	3,752,309
Advances, deposits, prepayments and other receivables	21	<u>5,675,840</u>	5,413,825
Stores and spare parts	22	<u>1,920,872</u>	1,922,629
Stock in trade	23	<u>824,389</u>	824,389
Long term security deposits	24	<u>262,482</u>	262,482
		<u>10,226,370</u>	<u>12,455,614</u>
		<u>1,373,857,113</u>	<u>1,380,420,444</u>
CONTINGENCIES AND COMMITMENTS	25		

AUDITORS' REPORT ANNEXED:

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

CHIEF EXECUTIVE

CHIEF FINANCE OFFICER

DIRECTOR

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020	2019
		-----Pak Rupees-----	
Sales		-	-
Cost of sales		-	-
Gross profit / (loss)		-	-
Administrative expenses	26	(38,229,538)	(35,181,607)
Finance cost	27	(7,198,194)	(6,837,704)
Other operative income	28	-	1,175,617
Loss before taxation		<u>(45,427,732)</u>	<u>(40,843,694)</u>
Income tax expense	17	-	-
Loss after taxation		<u><u>(45,427,732)</u></u>	<u><u>(40,843,694)</u></u>
Loss per share - basic and diluted	29	<u><u>- 10.48</u></u>	<u><u>- 9.43</u></u>

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

CHIEF EXECUTIVE
CHIEF FINANCE OFFICER
DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	-----Pak Rupees-----	
Loss after taxation	(45,427,732)	(40,843,694)
Other comprehensive income for the year		
Actuarial gain on re-measurement of staff retirement benefit	140,670	40,008
Total comprehensive loss for the year	<u>(45,287,062)</u>	<u>(40,803,686)</u>

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

CHIEF EXECUTIVE**CHIEF FINANCE OFFICER****DIRECTOR**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020	2019
-----Pak Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(45,427,732)	(40,843,694)
Adjustments for:			
Financial charges		7,055,514	6,837,704
Gain on sale of property, plant and equipment	28	-	(1,175,617)
Depreciation	26	4,334,087	4,498,255
Staff retirement benefit	14	994,778	643,884
		<u>(33,043,353)</u>	<u>(30,039,468)</u>
Working capital changes:			
(Increase) / decrease in current assets			
Stores and spare parts	22	1,757	15,028
Advances, deposits, prepayments and other receivables	21	(262,015)	(197,025)
Increase / (decrease) in current liabilities			
Trade and other payables	15	11,397,243	5,269,264
		<u>11,136,986</u>	<u>5,087,267</u>
Cash used in operations		(21,906,367)	(24,952,201)
Financial charges paid		(7,055,514)	(153,458)
Net cash used in operating activities		<u>(28,961,881)</u>	<u>(25,105,659)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		(28,961,881)	(25,105,659)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceed from sale of asset		-	1,220,000
Short term investment		3,752,309	(228,732)
		<u>3,752,309</u>	<u>(228,732)</u>
Net cash flows generated from investing activities		<u>3,752,309</u>	<u>991,268</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings	16	2,620,774	2,617,170
Loan from directors		23,851,605	21,549,978
Net cash generated from financing activities		<u>26,472,379</u>	<u>24,167,148</u>
Net increase in cash and cash equivalents		1,262,808	52,756
Cash and cash equivalents at the beginning of the year		279,980	227,223
Cash and cash equivalents at the end of the year	20	<u><u>1,542,788</u></u>	<u><u>279,980</u></u>

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

CHIEF EXECUTIVE

CHIEF FINANCE OFFICER

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid-up share capital	Revenue reserves				Surplus on revaluation of Fixed assets	Merger reserve	Total	
		General reserve	Dividend equalization reserve	Fair value reserve	Accumulated loss				Total
-----Pak Rupees-----									
BALANCE AS AT JUNE 30, 2018	43,328,190	3,380,000	7,490,000	1,251,607	(779,390,522)	(767,268,915)	1,342,300,768	196,362,085	814,722,128
Total comprehensive loss for the year	-	-	-	-	(40,803,686)	(40,803,686)	-	-	(40,803,686)
Effect of incremental depreciation	-	-	-	-	3,830,025	3,830,025	(3,830,025)	-	-
BALANCE AS AT JUNE 30, 2019	43,328,190	3,380,000	7,490,000	1,251,607	(816,364,182)	(804,242,575)	1,338,470,742	196,362,085	773,918,442
Total comprehensive loss for the year	-	-	-	-	(45,287,062)	(45,287,062)	-	-	(45,287,062)
Effect of incremental depreciation	-	-	-	-	3,708,849	3,708,849	(3,708,849)	-	-
BALANCE AS AT JUNE 30, 2020	43,328,190	3,380,000	7,490,000	1,251,607	(857,942,396)	(845,820,788)	1,334,761,893	196,362,085	728,631,380

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

CHIEF EXECUTIVE

CHIEF FINANCE OFFICER

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020****1. LEGAL STATUS AND OPERATIONS**

Suhail Jute Mills Limited (the Company) was incorporated in Pakistan in 1981 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017). Its shares are quoted on Pakistan stock exchanges in Pakistan. The Company is principally engaged in the business of manufacturing and sale of jute products. The registered office of the Company is situated at 14-B, Civil Lines, Rawalpindi.

The production facilities are situated at Kabul River Railway Station, Mardan Road, Nowshera, Khyber Pakhtunkhwa and GT road, Nowshera, Khyber Pakhtunkhwa consisting of 872 Kanals 3 Marlas and 744 kanals 2 Marlas piece of land respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**2.1 Statement of Compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 Basis of measurement and preparation

These financial statements have been prepared under historical cost convention.

2.4 Accounting convention

These financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively in addition to historical cost convention. All assets and liabilities in these financial statements have been presented in the order of liquidity.

The Company has incurred loss after taxation of Rupees 45.427 million. The Company has suffered accumulated losses of Rupees 857.942 million as on June 30, 2020. The company has ceased operations since June 2011.

2.5 Functional and presentation currency

The financial statements are presented in Pakistan Rupees (PKR) which is the Company's functional and presentation currency.

2.6 Impact of covid 19

The management of SUHAIL JUTE MILLS LIMITED has evaluated the financial impact of COVID-19 on the financial statement and is of the review that there are no material financial implication of the COVID-19.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Staff retirement benefits**

The Company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Provision is made annually to cover obligations under the scheme in accordance with actuarial recommendations. Projected Unit Credit Method has been used for actuarial valuation.

Actuarial gains and losses (re-measurement gains/losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income and past service cost is recognized in profit and loss when they occur.

3.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the company.

3.3 Taxation

Current

Provision for current taxation is based on taxable income of the Company after taking into account rebates, if any, allowable to the Company. In case of loss the tax liability is calculated according to the section 113 of Income Tax Ordinance, 2001.

Deferred

Deferred income tax, if any, is accounted for using the balance sheet liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are recognized for all taxable temporary timing differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the timing differences will reverse, based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the cases where it is included in equity.

3.4 Provision

A provision is recognized in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.5 Property, plant and equipment

Property and equipment, are stated at cost less accumulated depreciation and any identified impairment loss. Cost includes direct cost, related overheads and mark up.

Depreciation on all property and equipment is charged on reducing balance method so as to write off the depreciable amount of an asset over its useful estimated life at the rates mentioned in the note 18.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired.

3.6 Cash and cash equivalent

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances. Cash and bank balances are carried at historical cost except foreign currency which is carried at fair value.

3.7 Stock in trade

Stock in trade is stated at the lower of average cost and net realizable value, less allowance for obsolete items.

- Raw material is at moving average purchase cost and directly attributable expenses.
 - Work in process and finished goods is at moving average cost of raw materials and applicable manufacturing expenses.
-

- Raw material in transit is at invoice value plus other charges incurred up to the balance sheet date.

3.8 Contingent liabilities

Contingent liabilities are disclosed when:

- a) 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
- b) 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.

3.9 Revenue recognition

Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of Jute twine, Gunny bags, Hessian cloth and Rice bags coincides with the title passing to the customer and customer taking physical possession. The Company physically satisfies its performance obligations at a point in time in the amount of revenue recognized relating to performance. For sale of Jute twine, Gunny bags, Hessian cloth and Rice bags the transfer of control usually occurs on delivery of goods to the customer.

3.10 FINANCIAL INSTRUMENTS

Recognition and initial measurement

Trade debts are initially recognized when they are originated. All other financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of an instrument.

A financial asset (unless it is a trade debt without 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. A trade debt without a significant financing component initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVTOCI or 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 business model.

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 of the principal amount outstanding.

Financial assets at amortized cost are subsequently measured 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.

Financial liabilities-Classification and subsequent measurement

Financial liabilities are measured at amortized cost or FVTPL. A Financial liability is classified as FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition. 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 profit or loss.

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 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.

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 modified liability are substantially different, in which case a new financial liability is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4 NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

There are certain amendments to existing and accounting reporting standards that have become applicable for accounting periods beginning on or after Jan 01, 2020. These are considered either to not be relevant or don't have any significant impact on these financial statements.

4.1 STANDARDS, AMMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND INTERPRETATION THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY COMPANY

- The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2019 and have not been early adopted by the company:

- Amendments to IAS 1 presentation of financial statements and IAS 8 accounting policies, changes in accounting estimates and errors is applicable on accounting periods beginning on or after January 01, 2020. The amendments are intended to make definition of material in IAS 1 easier to understand and are not intended alter the underlying concept of materiality in IFRS. In addition IAASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of financial statements, which provide financial information about a specific reporting entity.

- Amendments to IAS 37 provisions, contingent assets and contingent liabilities is applicable for accounting periods beginning on or after January 01, 2022. Under IAS 37, contract is onerous when unavoidable cost of meeting the contractual obligations i.e:lower of the cost of fulfilling a contract or terminating it, outweighs the economic benefits. The amendments clarify that cost of fulfilling a contract comprise both incremental cost and an allocation of other direct costs The amendments are not expected to have material impact on company financial statements.
- Annual improvements 2018 applicable for annual periods beginning on or after January 01, 2022. These amendments include changes from 2018-2020 cycle of annual improvement project that mainly affect following standards:
- Amendments to IFRS 1, 'First time adoption of IFRS, simplifies the application of IFRS 1 for a subsidiary that becomes a first time adopter of IFRS later then its parent.
- Amendment to IFRS 9, financial instrument clarifies that for purpose of performing 10 % test for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes fees paid or received between the borrower and lender, including fees paid or received by either of borrower or lender on the others behalf.

5 USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgments made in applying accounting policies that have significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

5.1 Property, plant and equipment

The Company reviews the residual values and useful lives of property, plant and equipment on regular basis. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis. Any change in such estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge, impairment and related deferred tax liability.

5.2 Provision for inventory obsolescence

The Company reviews the net realizable value of stock in trade, stores and spare to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated cost to complete and estimated cost to make the sales.

5.3 Taxation

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from 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.

5.4 Provisions and contingencies

A provision is recognized as a result of past event when the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The un-winding of discount is recognized as finance cost, if any. Where 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 can not be measured with sufficient reliability, it is disclosed as contingent liability.

6 Impairment**Impairment of financial assets**

The Company measures loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost after considering the pattern of receipts from and future financial outlook of the counterparty and is reviewed by the management on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding effect on the profit or loss.

Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated using criteria given in respective accounting standards to determine the extent of impairment loss, if any.

7 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by using profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

8 Other income / finance cost

Other income comprises gain on disposal of property, plant and equipment.

Finance cost comprises interest expense on borrowings, Workers' Profit Participation Fund, and bank charges.

9 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

10 RELATED PARTY TRANSACTION AND DISCLOSURE

The determination of related party relation and disclosures relating thereto are in accordance with International Accounting Standards on Related Party Disclosures (IAS 24).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

			Note	2020	2019	
				----- Pak Rupees-----		
11	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL					
	<u>2020</u>	<u>2019</u>				
	(Number of shares)					
	3,245,000	3,245,000	Ordinary shares of Rs. 10 each issued for cash	11.1	32,450,000	32,450,000
	-	-	Ordinary shares of Rs. 10 each issued for consideration other than cash	11.2	-	-
	<u>3,245,000</u>	<u>3,245,000</u>		<u>32,450,000</u>	<u>32,450,000</u>	
	-	-	Cancelled ordinary shares of Rs. 10 each issued for consideration other than cash		-	-
	<u>1,087,819</u>	<u>1,087,819</u>	Issued against merger	<u>10,878,190</u>	<u>10,878,190</u>	
	<u>4,332,819</u>	<u>4,332,819</u>		<u>43,328,190</u>	<u>43,328,190</u>	
11.1	Shares held by associated undertakings					
	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
	(Number of shares)			----- (Rupees)-----		
	500	500	M Farooq Private Limited	5,000	5,000	
	20,000	20,000	Surriya Farooq Charitable Foundation	200,000	200,000	
11.2	This represents the shares allotted to the members of Colony Sarhad Textile Mills Limited against the merger of both companies.					
11.3	All ordinary share holders have same rights regarding voting, board selection, right of first refusal and block voting.					
			Note	2020	2019	
				----- Pak Rupees-----		
12	RESERVES					
	General reserve		12.1	3,380,000	3,380,000	
	Dividend equalization reserve		12.2	7,490,000	7,490,000	
	Fair value reserve			1,251,607	1,251,607	
	Accumulated loss			<u>(857,942,396)</u>	<u>(816,364,182)</u>	
				<u>(845,820,788)</u>	<u>(804,242,575)</u>	
12.1	This represents amount transferred to the general reserve from Reserve for Participation Term Certificates (PTC) for contingencies created in year 1992.					
12.2	This represents the reserve for the purpose of cash and stock dividend at 20 percent of the issued share capital proposed in 1992, but not approved by the shareholders.					
13	SURPLUS ON REVALUATION OF FIXED ASSETS					
	This represents the surplus arising from the revaluation of assets which is amortized over the useful lives of corresponding assets.					
			Note	2020	2019	
				----- Pak Rupees-----		
	Opening balance					
	Free hold land			1,262,734,609	1,262,734,609	
	Building			64,357,198	64,357,198	
	Plant and machinery			<u>123,273,000</u>	<u>123,273,000</u>	
				<u>1,450,364,807</u>	<u>1,450,364,807</u>	

	Note	2020	2019
		----- Pak Rupees-----	
Surplus /(deficit) on revaluation made during the year			
Free hold land		-	-
Building		-	-
Plant and machinery		-	-
		-	-
Accumulated Depreciation		(115,602,913)	(111,894,065)
		1,334,761,894	1,338,470,742

Revaluation of free hold land, building on free hold land and plant and machinery of the Company was carried out on January 26, 2017 by an independent valuer, BFA (Private) Limited, under the market value basis. Previously , the revaluation of free hold land, and plant and machinery of the Company was carried out on June 30, 2011 prior to that the free hold land of the Company was revalued in 1992 and 2008, whereas the buildings on free hold land and plant and machinery were revalued in 1995 and 2008.

	Note	2020	2019
		----- Pak Rupees-----	
14 STAFF RETIREMENT BENEFITS			
Staff retirement benefit	14.1	5,875,177	5,021,069
Deferred liabilities - staff gratuity		1,302,841	1,302,841
		7,178,018	6,323,910
14.1 The amounts recognized in the Statement Of Financial Position			
Present value of defined benefit obligation	14.2	5,875,177	5,021,069
14.2 Movement in the present value of defined benefit obligation:			
Opening balance		5,021,069	4,417,193
Charge for the year	14.3	994,778	643,884
Actuarial gain		(140,670)	(40,008)
Benefits paid during the year		-	-
		5,875,177	5,021,069
14.3 Charge for the year			
Current service cost		279,276	246,337
Interest cost		715,502	397,547
		994,778	643,884
14.4 Remeasurement recognized in OCI			
Actuarial gain on re-measurement of defined benefit obligation		140,670	40,008
14.5 The principal actuarial assumptions used in actuarial valuations were as follows;			
Valuation discount rate		8.5%	14.25%
Salary increase rate short term (1 year)		14.25%	9.25%
Salary increase rate long term		8.5%	12.25%
Withdrawal rates		Low	Low
Mortality rates		SLIC 2001-2005	SLIC 2001-2005
Duration		5.01 Year	4.59 Years
Normal retirement age		60 Years	60 Years
Effective salary increase date		01.Jul.20	01.Jul.19

14.6 Sensitivity analysis

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined obligation at the end of reporting period would have increased / (decreased) as a result of change in respective assumptions:

Discount rate changed by 1%
 Salary rate change by 1%
 Withdrawal rates change by 10% / 1 year mortality age set-back / set-forward

Effect of increase	
2020	2019
----- Pak Rupees-----	
5,600,921	4,804,820
6,214,596	5,292,617
587,177	5,022,846

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

	Note	2020	2019
		----- Pak Rupees-----	
15 TRADE AND OTHER PAYABLES			
Creditors		22,896,772	22,517,919
Accrued expenses	15.1	67,268,580	58,188,129
Security deposits		1,600	1,600
Advances from customers		3,400,000	3,400,000
Workers' profit participation fund	15.2	54,250,707	49,815,967
Workers welfare fund		269,503	269,503
Other taxes payable		969,606	976,498
Others		2,691,301	2,679,329
Payable to employees retirement benefits	15.3	29,721,814	32,223,695
		<u>181,469,883</u>	<u>170,072,639</u>
15.1			
This includes an amount payable to director of the company on account of remuneration Rs. 58,313,765/- and godown rent Rs. 2,981,800/- respectively.			
	Note	2020	2019
		----- Pak Rupees-----	
15.2 Worker's (Profit) Participation fund			
Opening balance		49,815,967	45,748,891
Interest on funds utilized by the Company	15.2.1	4,434,740	4,067,076
		<u>54,250,707</u>	<u>49,815,967</u>
15.2.1			
Interest on funds utilized by the Company is charged at KIBOR + 2.5%.			
15.3 Payable to employees retirement benefits	Note	2020	2019
		----- Pak Rupees-----	
Gratuity payable	15.3.1	28,471,386	28,471,386
Provident fund payable	15.3.2	1,250,428	3,752,309
		<u>29,721,814</u>	<u>32,223,695</u>
15.3.1			
This represent gratuity payable to 301 employees who left after the floods in July, 2010.			
15.3.2			
This represents balance of the amount payable to employees that has arisen as result of the discontinuation of the provident fund of the company.			
16 SHORT TERM BORROWINGS	Note	2020	2019
		----- Pak Rupees-----	
From banking companies- Secured			
Faisal Bank Limited	16.1	128,809,828	128,809,828
AL Baraka Islamic Bank Limited	16.2	30,000,000	30,000,000
Bridge Finance facility		34,026,811	31,406,037
		<u>192,836,639</u>	<u>190,215,865</u>
16.1 Faisal Bank Ltd			
Running finance facility	16.1.1	127,885,528	127,885,528
Finance against imported merchandise	16.1.2	924,300	924,300
		<u>128,809,828</u>	<u>128,809,828</u>

- 16.1.1** Running finance facility of Rs. 128.55 million was sanctioned in June, 2011 and is payable on demand. The facility had been obtained to meet working capital requirements. The rate of mark up is 3 months KIBOR plus 2.91 percent per annum.

The facility is secured against first exclusive hypothecation charge for Rupees 100 million on all present and future current assets of the Company and pari passu charge for Rs.280 million on fixed assets of Company including land, building and plant and machinery.

- 16.1.2** Finance against imports facility of Rs. 20 million had been obtained to finance import of raw material, and is payable on demand. The rate of mark up is 3 months KIBOR plus 2.91 percent per annum.

The facility is secured against pledge of imported goods in factory godown amounting to Rs. 1,027,000 with built in margin under custody of bank's appointed Maccadam and lien over shipping documents.

16.2 AL Baraka Islamic Bank

The Company has drawn down Rs. 30 million out of total facility of Rs. 30 million sanctioned in October, 2011. It carries mark up at the rate 6 months KIBOR plus 2.5 percent per annum (if paid with in 180 days) and 3 months KIBOR plus 3 percent per annum (if paid within 90 days). This facility has expired in June, 2012.

This facility is also secured against First Pari Passu charge over entire present and future fixed assets of the Company including free hold land and building on free hold land.

The court on petition filed by the Bank ordered a decree in favor of the bank.

17 PROVISION FOR TAXATION

No provision for current taxation has been made due to the reason that the Company has no taxable income. Turnover tax under section 113 of Income Tax Ordinance, 2001 does not apply as the Company has no turnover during the year.

Deferred tax asset is not recognized in the financial statements because the Company has sufficient tax losses available and it is probable that the Company will not be able to utilize deductible temporary differences in near future.

18 PROPERTY PLANT AND EQUIPMENT (SCHEDULE ANNEXED Page No.42-43)

	Note	2020	2019
		----- Pak Rupees-----	
19 LONG TERM INVESTMENTS			
Available for sale investment - Unquoted			
Farooq Energy Company Private Limited			
190 shares (2019: 190) of Rs 1,000 each		<u>190,000</u>	<u>190,000</u>
20 CASH AND BANK BALANCES			
Cash in hand		24,473	70,393
Cash at banks:			
- in current accounts		<u>1,518,315</u>	<u>209,587</u>
		<u>1,542,788</u>	<u>279,980</u>
21 ADVANCES DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good:			
- Employees		279,598	279,598
- Expenses		14,784	18,800
Deposits		501,940	501,940
Prepayments		176,487	175,432
Sarhad Development Authority		2,550,000	2,550,000
Income tax withheld (Refundable)		2,148,275	1,888,055
Other receivables - considered good		4,756	-
		<u>5,675,840</u>	<u>5,413,825</u>
22 STORES AND SPARES			
Stores		7,606,317	7,606,317
Spares		2,099,296	2,101,053
		9,705,613	9,707,370
less: Provision for obsolescence		(7,784,741)	(7,784,741)
		<u>1,920,872</u>	<u>1,922,629</u>
23 STOCKS IN TRADE			
Raw materials		824,389	824,389

24 LONG TERM SECURITY DEPOSITS

Sui Northern Gas Pipeline Limited
Office building security

30,000	30,000
232,482	232,482
262,482	262,482

25 CONTINGENCIES AND COMMITMENTS

- 25.1** The Sarhad Development Authority has filed an appeal in Peshawar High Court against the decision made in the civil suit (No: 180/1) on May 26, 2011 in favor of Suhail Jute Mills Limited for the recovery of an amount of Rs.2,550,000 against surrender of land measuring six acres situated at Gadoon Industrial Estate, Khyber Pakhtunkhwa. The Sarhad Development Authority had acknowledged the surrender of land and made a payment of Rs.1,667,343 after deducting charges of Rs. 882,657 which was returned by the Company with the plea that total amount should be refunded. The Company has also filed an appeal before the District Judge, Peshawar against other pleas related to this issue dismissed in the above decision.
- 25.2** Income tax demand of Rs. 8,771,178 for the tax year 2010 was raised against the Company under section 161/205 of the Income Tax Ordinance, 2001 which has been remanded back by Commissioner Inland Revenue (appeals) to the Deputy Commissioner Inland Revenue for redetermination of the liability, if any. The proceedings before Deputy Commissioner Inland Revenue has not yet finalized. The management and the tax advisor of the Company do not expect any unfavorable outcome or serious loss to the Company in this case.
- 25.3** The Company has secured running finance from Faysal Bank and Al Baraka Bank as disclosed in note to the financial statements. These Banks have filed suits for recovery of all outstanding over due principal and markup amount. In case of Faysal Bank the proceedings are pending with Lahore High Court and there are remote chances of decision in favor of the Company. In case of Al Baraka Bank the Banking Court, Rawalpindi has already issued decree in favor of Bank, which is not yet executed in view of charge on assets of Faysal Bank, as well and the Company is not pursuing the matter further. Accordingly as Company is already in legal proceedings with both Banks markup on outstanding borrowing amount has not been serviced and charged in these financial statements from July 01, 2014 in case of Faysal Bank and from July 01, 2012 in case of Al Baraka Bank. The management and legal advisor are of the opinion that markup freezes upon decree by the court / initiation of recovery proceedings.
- 25.4** The company is contingently liable in respect of guarantees of Rs. 463,100 issued by the bank in normal course of business.
- 25.5** The Company is in litigation with sales tax authorities circle 1, Rawalpindi for refund of sales tax amounting to Rs. 2.452 million (2019 Rs. 2.452 million). The case is pending with the Honorable Lahore High Court, Lahore.
- 25.6** The Company is in litigation with various parties for which cases have been filed by / against the Company in different courts of law as normal business events.

		2020	2019
		----- Pak Rupees-----	
26	ADMINISTRATIVE EXPENSES		
	Salaries, wages and benefits	10,371,899	9,377,481
	Directors' meeting fee	10,500	19,500
	Travelling	419,020	420,960
	Motor vehicle running expenses	1,052,393	1,130,646
	Entertainment	505,330	532,620
	Printing and stationery	336,496	399,647
	Communication	517,901	484,684
	News paper and periodicals	49,422	57,694
	Rent, rates and taxes	1,100,648	1,130,520
	Utilities	6,152,954	4,374,978
	Fees and subscription	868,664	159,269
	Professional charges	679,857	815,107
	Auditor's remuneration	26.3 261,000	225,000
	Directors' Remuneration	26.4 10,609,878	10,451,030
	Depreciation	4,334,087	4,498,255
	Repairs and maintenance	798,093	690,059
	Insurance	-	189,777
	Miscellaneous	161,396	224,380
		38,229,538	35,181,607

26.1 Factory operating expenses for the year have been classified as administrative expenses as the factory remained un-operational and the expenses incurred were of administrative nature.

26.2 This include retirement benefit of Rs. 994,778 (2019: Rs. 643,884).

		2020	2019
		----- Pak Rupees-----	
26.3	Auditor's remuneration		
	Statutory audit	203,000	175,000
	Semi annual review fee	58,000	50,000
		261,000	225,000

26.4 REMUNERATION OF DIRECTORS, EXECUTIVES AND MANAGING DIRECTOR

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

	2020			2019		
	----- Pak Rupees-----			----- Pak Rupees-----		
	Director	Executive	Managing Director	Director	Executive	Managing Director
Fee	10,500	-	-	19,500	-	-
Managerial Remuneration	-	-	6,364,200	-	-	5,785,800
Rented accommodation	-	-	2,859,000	-	-	2,599,200
Travelling and Conveyance	-	-	190,020	-	-	333,959
Communication	-	-	28,294	-	-	36,801
Utilities	-	-	1,168,364	-	-	1,695,270
	10,500	-	10,609,878	19,500	-	10,451,030
Numbers	7	-	1	7	-	1

The Managing Director has also been provided with a Company maintained car, utilities and telephone at his residence.

	2020	2019
	----- Pak Rupees -----	
27 FINANCE COST		
Mark-up on bridge finance	2,620,774	2,617,170
Interest on workers' profit participation fund	4,434,740	4,067,076
Bank charges	142,680	153,458
	<u>7,198,194</u>	<u>6,837,704</u>
28 OTHER OPERATING INCOME		
Income from assets other than financial assets		
Gain on sale of property, plant and equipment	-	1,175,617
29 LOSS PER SHARE		
Loss for the year after taxation	(45,427,732)	(40,843,694)
Weighted average number of ordinary shares	4,332,819	4,332,819
Loss per share	- 10.48	- 9.43

There are no dilutive potential ordinary shares outstanding as at reporting date.

30 CASH AND CASH EQUIVALENTS

Cash, cash equivalents and short-term borrowings (used for cash management purposes) include the following for the purposes of the cash flow statement.

	2020	2019
	----- Pak Rupees -----	
Cash and bank balances	1,542,788	279,980
Short term running finance	-	-
	<u>1,542,788</u>	<u>279,980</u>

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

31.1. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

On-balance sheet financial instruments	Carrying amount			Fair value			
	Amortized Cost	FVTPL	Total	Level 1	Level 2	Level 3	Total
----- Pak Rupees -----							
30 June 2020							
Financial assets as per Statement Of Financial Position							
Long term investment	190,000	-	190,000	-	-	-	-
Short term investment	-	-	-	-	-	-	-
Advances, deposits and prepayments	-	5,675,840	5,675,840	5,675,840	-	-	5,675,840
Long term security deposits	-	262,482	262,482	262,482	-	-	262,482
Cash and bank balances	1,542,788	-	1,542,788	-	-	-	-
	<u>1,732,788</u>	<u>5,938,322</u>	<u>7,671,109</u>	<u>5,938,322</u>	<u>-</u>	<u>-</u>	<u>5,938,322</u>
Trade and other payables	181,469,883	-	181,469,883	-	-	-	-
Accrued mark-up	54,086,276	-	54,086,276	-	-	-	-
Unclaimed dividend	384,359	-	384,359	-	-	-	-
Loan from directors	209,270,558	-	209,270,558	-	-	-	-
Short term borrowings - secured	192,836,639	-	192,836,639	-	-	-	-
	<u>638,047,714</u>	<u>-</u>	<u>638,047,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2019							
Financial assets as per Statement Of Financial Position							
Long term investment	190,000	-	190,000	-	-	-	-
Short term investment	3,752,309	-	3,752,309	-	-	-	-
Advances, deposits and prepayments	-	5,413,825	5,413,825	5,413,825	-	-	5,413,825
Other receivables	-	-	-	-	-	-	-
Long term security deposits	-	262,482	262,482	262,482	-	-	262,482
Cash and bank balances	279,980	-	279,980	-	-	-	-
	<u>4,222,289</u>	<u>5,676,307</u>	<u>9,898,596</u>	<u>5,676,307</u>	<u>-</u>	<u>-</u>	<u>5,676,307</u>
Financial liabilities not measured at fair value							
Trade and other payables	170,072,639	-	170,072,639	-	-	-	-
Accrued mark-up	54,086,276	-	54,086,276	-	-	-	-
Unclaimed dividend	384,359	-	384,359	-	-	-	-
Loan from directors	185,418,953	-	185,418,953	-	-	-	-
Short term borrowings - secured	190,215,865	-	190,215,865	-	-	-	-
	<u>600,178,092</u>	<u>-</u>	<u>600,178,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

31.2. The Company has not disclosed the fair value for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair values.

31.3. The Company has exposure to the credit risk, market risk and liquidity risk from its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

31.4. Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rupees 7,408,627 (2019 : Rupees 9,636,114), the financial assets that are subject to credit risk amounted to Rupees 7,408,627 (2019 : Rupees 9,636,114).

The maximum exposure to credit risk as at June 30, 2020, along with comparative is tabulated below:

	2020	2019
	----- Pak Rupees-----	
Exposure to credit risk		
Long term investment	190,000	190,000
Short term investments	-	3,752,309
Advances deposits and prepayments	5,675,840	5,413,825
Cash and bank balances	1,542,788	279,980
	7,408,627	9,636,114

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.

31.5. LIQUIDITY RISK (SCHEDULE ANNEXED PAGE NO.41)

31.6. Market Risk

Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has no foreign currency exposures.

Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2020 the Company's financial instruments mainly affected due to changes in the interest rates on amounts placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effects of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material.

32. RELATED PARTY TRANSACTIONS

The related parties comprise of key management personnel, entities over which the Company are able to exercise influence and employers funds. All transactions with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method. The remuneration of managing director and other executives is given in note 26.4 to the financial statements. Balances outstanding and transaction made with related parties at the year end are as follows:

Related party	Basis of relationship	Percentage of shareholding %
Surriya Farooq Charitable Foundation	Associated company	0.50%
Ismail Farooq Industries private Limited	Associated company	0.01%
Mian Sohail Farooq Sheikh	Key Management personnel	51.92%
Staff retirement benefits fund	Provident fund trust	Nil

2020**2019**

----- Pak Rupees -----

Transactions and balances with related parties**Contribution to staff retirement benefits**

Gratuity - expense charged	994,778	643,884
Gratuity - payment made	-	-

Key management personnel**Sohail Farooq Sheikh -Managing Director**

Loan received	23,851,605	21,549,978
Loan repayments	-	-
Remuneration payable	58,313,765	49,090,585

2020**2019****Kgs****Kgs****33. PRODUCTION DATA**

Normal capacity on 360 days basis	6,000,000	6,000,000
Production achieved during the year		
Sacking cloth	-	-
Hessian cloth	-	-
Twine	-	-

It is difficult to describe precisely the production capacity of a Jute mill since it fluctuates widely depending on the pattern of production and number of shifts worked in a particular year. The production facilities of the Company remained idle throughout the year due to non availability of raw material.

34. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide 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, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt.

35. ENTITY-WIDE INFORMATION

35.1 The Company constitutes of a single reportable segment, the principal classes of products are Jute Twine, Gunny Bags, Hessian Cloth and Rice bags.

35.2 The Company's principal classes of products accounted for the following percentages of sales:

	2020	2019
Jute Twine	0.00%	0.00%
Gunny bags	0.00%	0.00%
Hessian cloth	0.00%	0.00%
Others	0.00%	0.00%
	0.00%	0.00%

35.3 Information about geographical areas

The Company does not hold non-current assets in any foreign country.

35.4 Information about major customers

The Company has not made sales to any major external customers which tantamount to 10 percent or more of the entity's revenue.

	2020	2019
36. NUMBER OF EMPLOYEES		
Total number of employees as at year end	69	74
Average number of employees during the year	69	74

37. DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 03rd October 2020 by the Board of Directors of the Company.

38. GENERAL

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

CHIEF EXECUTIVE

CHIEF FINANCE OFFICER

DIRECTOR

31.5 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, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Up to one year	One to two years	Two to five years	Five years onwards
2020			-----Pak Rupees-----			
Trade and other payables	181,469,883	181,469,883	181,469,883	-	-	-
Accrued mark-up	54,086,276	54,086,276	54,086,276	-	-	-
Unclaimed dividend	384,359	384,359	384,359	-	-	-
Loan from directors	209,270,558	209,270,558	209,270,558	-	-	-
Short term borrowings - secured	192,836,639	192,836,639	192,836,639	-	-	-
	<u>638,047,714</u>	<u>638,047,714</u>	<u>638,047,714</u>			
2019						
Trade and other payables	170,072,639	170,072,639	170,072,639	-	-	-
Accrued mark-up	54,086,276	54,086,276	54,086,276	-	-	-
Unclaimed dividend	384,359	384,359	384,359	-	-	-
Loan from directors	185,418,953	185,418,953	185,418,953	-	-	-
Short term borrowings - secured	190,215,865	190,215,865	190,215,865	-	-	-
	<u>600,178,092</u>	<u>600,178,092</u>	<u>600,178,092</u>			

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

18. PROPERTY, PLANT AND EQUIPMENT

Particulars	Free hold land	Building on freehold land	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Library books	Total
-----Pak Rupees-----								
Year ended June 30, 2019								
Opening net book value	1,232,316,197	78,128,118	59,664,945	506,965	1,394,090	307,039	114	1,372,317,468
Cost	1,232,316,197	100,981,054	89,325,730	4,521,885	12,189,978	6,416,687	60,723	1,415,883,456
Accumulated depreciation	-	(22,852,936)	(29,660,785)	(4,014,920)	(10,795,888)	(6,109,648)	(60,609)	(73,494,786)
For the year:								
Additions	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	44,383	-	44,383
Cost	-	-	-	-	-	2,029,822	-	2,029,822
Accumulated depreciation	-	-	-	-	-	(1,985,439)	-	(1,985,439)
Depreciation charge	-	(2,343,844)	(1,911,740)	(50,697)	(139,409)	(52,531)	(34)	(4,498,255)
As at June 30, 2019								
Cost	1,232,316,197	100,981,054	89,325,730	4,521,885	12,189,978	4,386,865	60,723	1,443,782,432
Accumulated depreciation	-	(25,196,780)	(31,572,525)	(4,065,617)	(10,935,297)	(4,176,740)	(60,643)	(76,007,602)
Net book value - 2019	1,232,316,197	75,784,274	57,753,205	456,268	1,254,681	210,125	80	1,367,774,830
Year ended June 30, 2020								
Opening net book value	1,232,316,197	75,784,274	57,753,205	456,268	1,254,681	210,125	80	1,367,774,830
Cost	1,232,316,197	100,981,054	89,325,730	4,521,885	12,189,978	4,386,865	60,723	1,443,782,432
Accumulated depreciation	-	(25,196,780)	(31,572,525)	(4,065,617)	(10,935,297)	(4,176,740)	(60,643)	(76,007,602)
For the year:								
Additions	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Depreciation charge	-	(2,273,528)	(1,847,415)	(45,627)	(125,468)	(42,025)	(24)	(4,334,087)
As at June 30, 2020								
Cost	1,232,316,197	100,981,054	89,325,730	4,521,885	12,189,978	4,386,865	60,723	1,443,782,432
Accumulated depreciation	-	(27,470,308)	(33,419,940)	(4,111,244)	(11,060,765)	(4,218,765)	(60,667)	(80,341,689)
Net book value - 2020	1,232,316,197	73,510,746	55,905,790	410,641	1,129,213	168,100	56	1,363,440,743
Depreciation rate	-	1.5% - 3%	3% - 15%	10%	10%	20%	30%	

- 18.1 Cost of free hold land, building on free hold land and plant and machinery are stated at revalued amounts. The carrying amount of these items of property, plant and equipment measured using the cost model are as under:

	2020			2019		
	Cost	Accumulated Depreciation	Written down value	Cost	Accumulated Depreciation	Written down value
-----Pak Rupees-----						
Freehold land	12,519,048	-	12,519,048	12,519,048		12,519,048
Building on land	26,049,078	(17,195,053)	8,854,025	26,049,078	(17,452,937)	8,596,141
Plant and Machinery	131,156,789	(120,284,969)	10,871,820	131,156,789	(120,622,080)	10,534,709
Office equipment	142,289	(14)	142,275	142,289	(1,423)	140,866
	169,867,204	(137,480,036)	32,387,168	169,867,204	(138,076,440)	31,790,764

18.2 Freehold Land

Freehold Land of the company is situated at Kabul River Railway station, Mardan Road, Nowshera, Khyber Pakhtunkhwa and GT road, Nowshera, Khyber Pakhtunkhwa consisting of 872 Kanals 3 Marlas and 744 Kanals 2 Marlas piece of land respectively.

18.3 Building of freehold land

The building and immovable fixed assets of the company are located as disclosed in note 18.2 of the financial statements.