



# **2019 ANNUAL REPORT**

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# Company Information

<b>Chief Executive</b>	Muhammad Naeem
<b>Chairman</b>	Mian Muhammad Latif
<b>Directors</b>	Mian Muhammad Javaid Iqbal Mr. Muhammad Faisal Latif Mr. Tariq Ayoub Khan Mr. Masood Ul Hassan Mr. Muhammad Hashim Mr. Muhammad Salman Javed
<b>Nominee Director</b>	Ms. Sobia chughtai Mr. Shaid Mahmood Khan
<b>Major Bankers</b>	Allied Bank Limited. Askari Bank Limited. Al Baraka Bank (Pakistan) Limited. Citibank, N.A. Faysal Bank Limited. First Credit & Investment Bank Limited. Habib Bank Limited. Habib Metropolitan Bank Limited. KASB Bank Limited. National Bank of Pakistan. NIB Bank Limited. Orix Leasing (Pakistan) Limited. Pak Oman Investment Company Limited. Pak Kuwait Investment Company (Pvt.) Limited. Pak Libya Holding Company (Pvt.) Limited. Saudi Pak Industrial & Agricultural Investment Silk Bank Limited. Standard Chartered Bank (Pakistan) Limited. The Bank of Punjab. United Bank Limited. Mr.
<b>Chief Financial Officer</b>	Mr. Faisal Ali Sarwar
<b>Company Secretary</b>	Muhammad Arshad
<b>Auditors</b>	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants.
<b>Shares Registrar</b>	F.D. Registrar Services (SMC-Pvt.) Limited Office # 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Tel:021-32271905-6/021-35478192-3
<b>Registered Office</b>	Nishatabad, Faisalabad. Tel:+92 41 8754472-8 Fax:+92 41 8752400, 8752700 <a href="mailto:chenab@chenabgroup.com">chenab@chenabgroup.com</a> <a href="http://www.chenabgroup.com">www.chenabgroup.com</a>
<b>Website Address</b>	
<b>Works</b>	-Spinning Unit - Toba Tek Singh. -Weaving Unit - Kharianwala, Distt: Sheikhpura. -Weaving Unit - Shahkot, Distt: Nankana Sahib. -Processing & Stitching Units – Nishatabad, Fsd.

## ***Vision***

To be a competitive and customer focused organization with continuing commitment to excellence and standards.

## ***Mission Statement***

- . To be the business house of first choice for customers.
- . To be a change leader.
- . To produce innovative, relevant and cost effective products.
- . Setting and maintaining high standards.
- . To earn profits by achieving optimum level of production by using state of the art technologies.
- . To provide ideal working conditions to employees and to take care in their career planning and reward them according to their skill and responsibility.
- . To meet social and cultural obligations towards society being a patriotic and conscientious corporate citizen

# Fianancial Highlights

	2019	2018	2017	2016	2015	2014	2013
<b>Operational performance</b>							
	<b>(Rupees'000)</b>						
Sales-net	360,870	915,910	1,764,452	2,007,632	2,213,846	2,265,551	2,171,725
Cost of sales	430,828	1,081,015	2,493,141	2,259,157	2,575,659	2,515,062	2,546,224
Gross profit	(69,958)	(165,105)	(728,689)	(251,525)	(361,813)	(249,511)	(374,499)
Operation (loss) / profit	(155,040)	(303,610)	(868,913)	(99,201)	(206,345)	(129,634)	(226,525)
Profit/ loss before taxation	145,625	(261,067)	(970,676)	(379,230)	(466,824)	(389,041)	(488,509)
Profit/loss after taxation	141,365	(281,859)	(992,228)	(389,703)	(479,385)	(399,289)	(493,799)
<b>Financial position</b>							
Property, Plant and equipment	10,890,092	10,993,406	11,185,697	10,848,916	11,052,466	11,046,052	11,253,800
Long term deposits	12,637	12,637	12,637	12,637	12,637	12,637	12,637
Fixed capital expenditure	10,902,729	11,006,043	11,198,334	10,861,553	11,065,103	11,058,689	11,266,437
Total assets	11,087,664	12,928,842	13,147,032	13,467,685	13,798,837	14,487,041	15,045,669
<b>Current asset</b>							
Store, spare parts and stocks in trade	28,973	65,984	100,140	756,931	870,072	1,086,824	1,185,960
Other current assets	138,397	1,838,025	1,820,136	1,824,970	1,836,361	2,303,428	2,576,549
Cash and cash equivalents	17,565	18,790	28,422	24,231	27,301	38,100	16,723
Total	184,935	1,922,799	1,948,698	2,606,132	2,733,734	3,428,352	3,779,232
<b>Current liabilities</b>							
Short term bank borrowing	4,344,992	4,342,494	4,342,499	4,988,748	5,785,580	5,681,149	5,746,683
Current portion of long term loans/morabaha	3,104,745	2,961,040	2,784,879	2,757,063	2,675,537	2,416,944	2,054,106
Other current liabilities	2,164,053	3,262,212	3,133,986	2,842,071	2,385,471	2,972,167	3,155,952
Total	9,613,790	10,565,746	10,261,364	10,587,882	10,846,588	11,070,260	10,956,741
Net working capital	(9,428,855)	(8,642,947)	(8,312,666)	(7,981,750)	(8,112,854)	(7,641,908)	(7,177,509)
Long term loans/Finance lease, morabaha	2,322,962	2,448,167	2,708,314	2,353,982	2,086,486	2,378,188	2,786,025
Shareholder's equity	(877,879)	(1,047,380)	(6,547,438)	(5,588,895)	(5,244,931)	(4,781,852)	(4,428,460)
<b>Profitability analysis</b>							
Gross profit to sale (%)	(19.39)	(18.03)	(41.30)	(12.53)	(16.34)	(11.01)	(17.24)
Loss/Profit before tax to sales (%)	40.35	(28.50)	(55.01)	(18.89)	(21.09)	(17.17)	(22.49)
Loss/Profit after tax to sales (%)	39.17	(30.77)	(56.23)	(19.41)	(21.65)	(17.62)	(22.74)
Return on Investment (%)	1.27	(2.18)	(7.55)	(2.89)	(3.47)	(2.76)	(3.28)
Return on equity (%)	(16.10)	26.91	15.15	6.97	9.14	8.35	11.15
Earnings per share(Rupees)	1.23	(2.45)	(8.63)	(3.39)	(4.17)	(3.47)	(4.29)
<b>Financial analysis</b>							
Current ratio(time)	0.02	0.18	0.19	0.25	0.25	0.31	0.34
Debt to equity (time)	(6.18)	(5.16)	(0.84)	(0.91)	(0.91)	(1.00)	(1.09)
Total Debt to Total Assets	0.49	0.42	0.42	0.38	0.35	0.33	0.32
Total Debt to Fixed Assets	0.50	0.49	0.49	0.47	0.43	0.43	0.43

# **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 35<sup>th</sup> Annual General Meeting of the shareholders of the Company will be held at 11.00 A.M. on Thursday the 26<sup>TH</sup> January, 2023 at the Registered office of the Company at Nishatabad, Faisalabad to transact the following business:-

## **ORDINARY BUSINESS**

1. To confirm the Minutes of the last meeting dated January 28, 2022.
2. To consider and approve the annual audited financial statements of the company for the year ended June 30, 2019 along with auditor's report thereon and explanation to the Audit observations, audited by M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore who were appointed by the Honorable, High Court Lahore on the application of Joint Official Liquidators.
3. To consider and recommend the appointment of statutory Auditors of the Company for the next financial year 2019-20 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

## **SPECIAL BUSINESS**

5. To approve transmission of Annual Audited Financial Statements, Auditors report and director's report etc. (annual audited accounts) to the Company's shareholders through CD/DVD/USB at their registered address as followed the Securities and Exchange Commission of Pakistan by their SRO No. 470(1)/2016 dated May 31, 2016 and to pass following resolution as an ordinary resolution.

**"RESOLVED THAT** the Company be and is hereby allowed to transmit its Annual Audited Financial Statements, Auditors report and directors report etc. (Annual Audited Accounts) to the Company's shareholders at their registered address in the form of soft copies in CD/DVD/USB instead of transmitting the annual audited accounts in printed copy as allowed by the Securities and Exchange Commission of Pakistan via SRO No. 470(1)/2016 dated May 31, 2016".

A statement under section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being sent to the Members with this notice.

BY ORDER OF THE BOARD



(MUHAMMAD ARSHAD)  
COMPANY SECRETARY

FAISALABAD  
JANUARY 03, 2023

**NOTES:**

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. A proxy must be a member of the company.
2. Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Cards (CNICs) or Passports alongwith the Participants ID numbers and their account numbers at the time of attending the Annual General Meeting for verification.
3. All other members should bring their Original Computerized National Identity Cards for identification purpose.
4. The shareholders are requested to notify the company immediately the change in their address, if any.

**A STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017**

Securities and Exchange Commission of Pakistan has vide S.R.O. 470(1)/2016 dated May 31, 2016 allowed the companies to circulate the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report.

The Company shall supply the hard copies of the aforesaid document to the shareholders on demand free of cost, within one week of such demand. After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made.

Accordingly, the directors have placed the matter before the shareholders for their approval and to pass the ordinary resolution as proposed in the notice of meeting. The directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors Report.

In view of the above, it is proposed that Ordinary Resolution state at agenda item number Five(5) of the Notice of AGM, be approved.

# ***DIRECTORS' REPORT TO THE MEMBERS***

The directors take the opportunity to present before you report and audited accounts of the company for the year ended June 30, 2019. These Accounts are consisting of two periods i.e 01-07-2018 to 07-01-2019, when the affairs of the Company were run by the management and 08-01-2019 to 30-06-2019 when affairs of second period were looked after by the Joint Official Liquidators appointed by the Court.

## **SALES REVENUE**

Sales Revenue of Rs.361 million has been earned during the period (approximately in six months) looked after by the management as compared with Rs. 916 million during preceding year.

## **FINANCIAL RESULTS**

The financial results for the year ended June 30, 2019 with comparative figures are as follows:-

	<b>2019 Rupees</b>	<b>2018 Rupees</b>
Sales	360,869,643	915,909,663
Cost of sales	<u>(430,828,397)</u>	<u>(1,081,014,516)</u>
Gross loss	(69,958,754)	(165,104,853)
Operating expenses		
Selling and distribution expenses	<u>(6,918,844)</u>	<u>(23,129,309)</u>
Administrative expenses	<u>(78,161,916)</u>	<u>(115,376,342)</u>
	<u>(85,080,760)</u>	<u>(138,505,651)</u>
Operating Loss	(155,039,514)	(303,610,504)
Other income		
Sale of waste material	<u>85,878</u>	<u>967,447</u>
Rental income	<u>63,290,291</u>	<u>36,174,635</u>
Gain on disposal of operating assets	<u>3,828,237</u>	<u>155,603</u>
Balances written back - net	<u>342,602,028</u>	<u>14,462,161</u>
	<u>409,806,434</u>	<u>51,759,846</u>
Finance cost	<u>(109,141,458)</u>	<u>(9,217,078)</u>
Profit/(loss) before taxation	145,625,462	(261,067,736)
Provision for taxation	<u>(4,260,908)</u>	<u>(20,791,224)</u>
Profit/(loss) for the year after taxation	<u>141,364,554</u>	<u>(281,858,960)</u>
Earnings per share- Basic& diluted	<u>1.23</u>	<u>(2.45)</u>

## **TO RATIFY BOARD'S RESOLUTION (S)**

To ratify Board's resolutions passed by the Directors by way of circulation under clause 78 of the Articles of Association of the Company since holding of last meeting i.e 28-01-2022.



## **SUBSEQUENT POSITION OF WINDING UP ORDER.**

- i) Similarly board Meeting for adoption Audited Accounts for the year ended June 30, 2018 was also convened and Annual General Meeting of the Shareholders of the Company took place on 28-01-2022 at 02.00 PM.
- ii) Under Corporate Governance regulation dated 25-09-2019 read with Scheme of Arrangement, Election of Directors took place on 28-01-2022 at Nishatabad, Faisalabad. Whereby two nominee Directors on behalf of lenders were appointed one from Habib Bank Limited and second from United Bank Limited. Appointment of CFO and Chief Executive Officer of the Company was also made.
- iii) Under the Scheme of Arrangement new Bank Accounts were opened with Habib Bank Limited, Circular Road, Faisalabad where sale proceeds of Fixed Assets at Rs.844.625 million were deposited. Out of which an amount of Rs.633.479 being 75% of said sales proceeds adjusted towards principal debt of its secured creditors up till the balance sheet date. Moreover sponsors loan at Rs.350 million was also deposited in HBL Account. Bank Accounts maintained with other Banks have been closed.
- iv) Resultantly the Bank Liabilities of the Company has been recalculated to the extent of Rs.9474.973 million and the same was restructured for a period of 14 years, under Scheme of Arrangements duly approved by Honorable Lahore High Court Lahore.
- v) Fresh charges as per Scheme of Arrangement have been registered in favour of secured creditors and all old charge(s) have been vacated/ satisfied.

## **FUTURE PROSPECTS**

- 1) The next year i.e 2019-20 was under liquidation period and Company was not operational during that period. No production achieving took place until the revival of Company. The revival took place with the reversal of order by Honourable Lahore High Court Lahore dated 29-10-2021. However, presently country is facing devastating floods which have ruined most of cotton crop. Therefore, availability of raw material would be a major cause of concern during financial year 2022-23. Continuously rising prices of cotton will have negative impact on the dynamics of international textile markets. Although challenges are high but we are committed to perform in best possible manner and add value to our stakeholders to meet the long-term goals of the Company. No major capital investment is now required by the company. Only some renovation work is needed which has already been started after the restoration of the corporate status of the company.
2. Working Capital required during initial years have also been arranged through sponsors' loan, sale of non core assets of the company and banks are also committed to provide fresh export based working capital limits as per requirements.
3. The company has huge production capacity and due to limited working capital arrangements during initial years the entire capacity cannot be used for own exports/sales. Therefore; the

management has planned to run the available capacity on toll manufacturing basis. The company has good reputation for quality products. Therefore; it is hoped that there will be no shortage of customers requiring the toll manufacturing services. With the Grace of Almighty the management has achieved the planned/desired production capacity utilizations under different segments.

4. Now with the approval of revival Scheme, a realistic assumptions based repayment schedule on the basis of actual repayment capacity of the company has been worked out with all lender banks/DFIs of the company. During the next 14 years no heavy mark up like in the past is required to be paid by the company. The intensive litigation of the banks against the company has come to an end. Now, the management will be in a better position to focus on production/sales and to repay debt of the company as per schedule. The company has complied with all its financial obligations under the new approved scheme of arrangements.

## **EXPLANATION TO AUDITORS' OBSERVATIONS**

### **(1). ON GOING CONCERN ASSESSMENT**

- (i) The Company has posted a profit after tax Rs. 141 Million against a loss of 282 Million in the corresponding year. The management is pleased to mention that the company has achieved a positive bottom line after 12 years. After the approval of Scheme of Arrangement the Banks have rescheduled their liabilities and the company is paying installments as per agreed terms. Terms and conditions with Banks as per Scheme of Arrangement are fully complied with. As a result of successful implementation of scheme of Arrangements all the pending cases of recovery filed by lenders have been adjourned/ sine dies. The company has repaid its principal liability to the tune of Rs.633.479 Million and management has inducted Rs.493.400 Million as fresh working capital.

- (ii) Redemption of preference shares liabilities has been settled in the Scheme of Arrangement as under

- I. Each of the following Lenders currently hold preference shares of the following outstanding amounts (based on the shares face value):

Lenders	Paid-up and outstanding amount of preference Shares at Face Value
Habib Bank Limited	PKR 100,000,000
Askari Bank Limited	PKR 100,000,000
National Bank of Pakistan	PKR 100,000,000

- II. The abovementioned amounts will be repaid to each of the Lenders (and any other preference shareholders) in equal quarterly installments (over a three (3) year period commencing from the first calendar quarter end to occur after the repayment of the total Principal Debt in 14 years.

- (iii) As the company has started its operations and to make it more viable and successful all the key position in management has been duly filled. A highly competent and experienced team is on board. ‘

- (iv) The proceedings initiated by SECP under section 257 of Companies Act, 2017 have been stayed by Lahore High Court Lahore. More so, the winding up order has been recalled by the Lahore High Court Lahore on 29-10-2021 and the management of the company is duly transferred to its original management and subsequently new election of the directors took place Directors including two nominee directors have joined the board.
- (v) Revival plan was prepared by a renowned firm of Chartered Accountants internationally ranking at top 5 duly approved by (Financial institutions and the court). The same plan is successfully executed and implemented by the management.

On the basis of parameters explained above the management of the Company is confident that company is not only Going Concern rather it will be a profitable in the time to come.

2. The management has already provided Scheme of Arrangement which contains bank wise outstanding liabilities confirmed by the financial institutions and the court.
  3. Small amount of balances lying in various accounts were provided as per book record yet due to long outstanding and non operational/dormant in nature bank certificates were difficult to obtain. The amount in these accounts has no material impact on the financial statements.
  4. The management has provided a complete list of pending cases duly described under heading, **“Contingences and commitments”** along with the legal advisor/tax advisor certificates. Therefore this observation is unwarranted.
- 5&11 On the balance sheet date the company was in the hands of Liquidators under court order dated 13-07-2017 and they did not get the Revaluation, however the company is planning to conduct Revaluation in the coming year.
6. In view of the Scheme of Arrangement no accrual of markup is required and the copy of the same is provided to the auditors. The auditors in their opening paragraph have acknowledged the receipt and the content of the scheme.
  7. At the time of balance sheet date company was in the hands of Liquidators and Auditors were appointed subsequently by the court. Therefore it was not practically possible to conduct physical verification however certificates were provided to the Auditors.
  8. To support the company financially the directors/sponsors opted not to restate its loans liability towards the company.
  9. The liabilities under Assets subject to finance lease are part of Scheme of Arrangement duly approved by Lenders and court.
  10. The exact deferred Tax liability related to surplus on Revaluation is worked out at Rs.608 million and is to be deducted from Surplus on Revaluation and shown as deferred Tax liability. No deferred Tax provision is required to be made against profit and loss Account due to accumulated losses and Tax credits.
  12. The Company has taken up the issue of non repatriation of Export bills with SBP who has imposed nominal fine there against. As the impact of the fine is not material in nature therefore this audit observation is unwarranted.
  13. We have circulated the letters to debtors/creditors as per list and format provided by the auditors. Proof of dispatch was also produced to the auditors. As a matter of fact the company was non

operational for some time therefore some of the customers find it difficult to respond to the request of auditors. The management has performed its part as per the requirements of the auditors.

14. Share holder wise detail of "Unclaimed dividend" was provided to Auditors. There is sufficient balance in HBL Account No.1152-02536258-03 for encashment of dividend warrants.
15. Export sales reconciliation has already been provided with due reasons of differences.
16. Certificates of total installed capacity and actual production duly signed by relevant technical Directors have been provided. Proper breakup of preference shares into redeemable and convertible shares alongwith there working has already been provided to the auditors.
17. The exchange gain of Rs.0.204 million has been properly recorded and classified and made it part of sales instead of other income. The nature and amount of this observation is not material in nature.
18. Raw material consumption and its reconciliation have already been provided to auditors.
19. The company has taken up the matter with EOBI and Punjab employees Social Security institutions for reconciliation for the determination of actual liabilities because the unit remains non operational for some time and that period needs some adjustment in its liabilities towards these departments.
20. As per agreement executed between the parties the company can use security deposit for its requirements. The same is duly disclosed to the audit team.
21. This requirement has properly been disclosed.
22. The State Bank of Pakistan Karachi (Banking policy Department) has included preference shares in equity of company under certain terms and conditions vide their letter No.BPD/PU-22/22,03/17842/2004/9288 dated 21-07-2004.and the said letter has already been provided to the auditors.
23. The DLTL for the year 2019 is applicable on the increase of turnover and in our case the export has been decreased.
24. The requisite amount of income tax has properly disclosed under liabilities.

#### **CIRCULATION OF ANNUAL AUDITED ACCOUNTS AND NOTICE OF AGM TO SHAREHOLDERS THROUGH CD/DVD/USB**

In pursuance of SECP notification S.R.O. No.470/(1)/2016 dated May 31, 2016 the companies have been allowed to get the approval by shareholders to circulate Annual Reports including Annual Audited Accounts, Notice of Annual General Meetings and other information to the members for future years through CD/DVD/USB instead of transmitting the same in hard copies. However, the Company will supply the hard copy of the Annual Audited Accounts to the shareholders on demand at their registered addresses, free of cost, within one week of such demand.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Because of liquidation of the Company in the year under report the disclosure of above said information is ignored in these Accounts

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30, 2019 including the information under the code of corporate governance for ordinary and non voting cumulative preference shares is annexed.

## **BOARD OF DIRECTORS AND THEIR MEETING**

Because of liquidation of the Company the powers of Board existing at the time of liquidation order has been ceased under Section 365 of the Companies Act, 2017 therefore no meeting was conducted.

## **AUDIT COMMITTEE**

Because of liquidation of the Company in the year under report, Audit Committee was not functional.

## **CODE OF CORPORATE GOVERNANCE**

Provisions of the code of Corporate Governance were not applicable in view of liquidation of Company in the year under report.

## **AUDITORS**

- I. The Ex-Joint Official Liquidators have sought permission from Honorable Lahore High Court Lahore dated 06-03-2020 for carrying out Audit of Accounts of Liquidation period i.e July, 2019 to January 2020 from the Auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore as already appointed by the court for the said period.
- II. The Board also recommended appointment of External Auditor to M/s. Yousaf Adil, Chartered Accountants, Faisalabad for next financial year 2020


## **ACKNOWLEDGEMENT**

The board of directors places on record its appreciation for the support of the shareholders, government agencies and financial institutions.

FAISALABAD  
JANUARY 03, 2023

  
(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)

For and on behalf of  
BOARD OF DIRECTORS

  
(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

# ڈائریکٹرز رپورٹ برائے ممبران

ڈائریکٹرز آپ کے سامنے 30 جون 2019 کو ختم ہونے والے مالی سال کیلئے کمپنی کے آڈٹ شدہ اکاؤنٹس کی رپورٹ پیش کرنے کا موقع لیتے ہیں۔ یہ اکاؤنٹس دو ادوار پر مشتمل ہیں۔ یعنی 01/07/2018 سے 07/01/2019 جب معاملات کمپنی انتظامیہ کے ذریعے چلائے گئے اور 08/01/2019 سے 30/06/2019 تک جب دوسرے دور کے معاملات عدالت کے ذریعے مقرر کردہ جوائنٹ آفیشل لیکویڈیٹرز کے ذریعے دیکھے گئے۔

## سیلز ریونیو۔

پچھلے سال کے دوران 916 ملین روپے کے مقابلے میں انتظامیہ کی طرف سے دیکھ بھال کی گئی مدت (تقریباً چھ ماہ میں) 361 ملین روپے کا سیلز ریونیو کمایا گیا ہے۔

## مالیاتی نتائج۔

تقابلی اعدادہ شمار ختم ہونے والے مالی سال 30 جون 2019 کے نتائج مندرجہ ذیل ہیں۔

2018 / روپے	2019 / روپے	سیلز
915,909,663	360,869,643	لاگت برائے سیلز
(1,081,014,516)	(430,828,397)	مجموعی نقصان
(165,104,853)	(69,958,754)	
		☆۔ اخراجات
(23,129,309)	(6,918,844)	فروخت اور تقسیم اخراجات
(115,376,342)	(78,161,916)	انتظامی اخراجات
(138,505,651)	(85,080,760)	
(303,610,504)	(155,039,514)	جاری نقصان
		☆۔ دیگر آمدنی
967,447	85,878	ویسٹ میٹرل کی سیلز
36,174,635	63,290,291	کرائے کی آمدن
155,603	3,828,237	آپریٹنگ اثاثوں کی فروخت۔ پر منافع
14,462,161	342,602,028	واپس کئے گئے بیلنس (NET)
51,759,846	409,806,434	
(9,217,078)	(109,141,458)	مالیاتی لاگت
(261,067,736)	145,625,462	ٹیکس سے پہلے منافع / نقصان
(20,791,224)	(4,260,908)	متعین کردہ ٹیکس
(281,858,960)	141,364,554	ٹیکس کے بعد سال کا منافع / نقصان
(2.45)	1.23	بنیادی اور تحلیل شدہ۔ فی حصہ آمدن

## بورڈ کی قرارداد کی توثیق۔

گذشتہ میٹنگ 28/01/2022 کے انعقاد کے بعد سے کمپنی کے آرٹیکلز آف ایسوسی ایشن کی شق 78 کے تحت سرکولیشن کے ذریعے ڈائریکٹرز کی قراردادوں کی حاصل کردہ منظوری کی توثیق کرنا۔

## تحلیل شدہ آرڈرز کو ختم کرنے کے بعد کی پوزیشن۔

(i)۔ اسی طرح 30 جون 2018 کو ختم ہونے والے سال کے آڈٹ شدہ اکاؤنٹس اپنانے کیلئے بورڈ کا اجلاس ہوا اور بعد ازاں اکاؤنٹس کی منظوری کیلئے شیئر ہولڈرز کی سالانہ میٹنگ 28/01/2022 کو دوپہر 2 بجے منعقد ہوئی۔

(ii)۔ کارپوریٹ گورننس ریگولیشن مورخہ 25/09/2019 اور بندوبست کی سکیم کے ساتھ پڑھا گیا، ڈائریکٹرز کا انتخاب 28/01/2022 کو نشاط آباد، فیصل آباد میں ہوا۔ قرض دہندگان کی جانب سے دو نامزد ڈائریکٹرز ایک حبیب بینک لمیٹڈ اور دوسرا یونائیٹڈ بینک لمیٹڈ سے مقرر کیا گیا۔ کمپنی کے سی ایف او اور چیف ایگزیکٹو آفیسر کی تقرری بھی کی گئی۔

(iii)۔ بندوبست کی سکیم کے تحت حبیب بینک لمیٹڈ، سرکلر روڈ، فیصل آباد کے ساتھ نئے بینک اکاؤنٹس کھولے گئے جہاں 844.625 ملین روپے کے فکسڈ اثاثوں کی فروخت سے حاصل ہونے والی رقم جمع کرائی گئی۔ جس میں سے 633.479 روپے کی رقم جو کہ 75 فیصد سیلز کی رقم ہے جو بیننس شیٹ کی تاریخ تک اپنے محفوظ قرض دہندگان کے اصل قرض میں ایڈجسٹ کی گئی ہے۔ مزید یہ کہ 350 ملین روپے کا سپانسرز قرض بھی HBL اکاؤنٹ میں جمع کرایا گیا۔ دوسرے بینکوں کے ساتھ رکھے گئے بینک اکاؤنٹس بند کر دیئے گئے ہیں۔

(iv)۔ نتیجتاً کمپنی کے بینک واجبات کو 973-9474 ملین روپے کی حد تک دوبارہ شمار کیا گیا اور اسے 14 سال کی مدت کیلئے ری سٹرکچر کیا گیا تھا۔ جسکی باقاعدہ منظوری لاہور ہائی کورٹ نے دی تھی۔

(v)۔ بندوبست کی گئی سکیم کے مطابق فریش چارجز محفوظ قرض دہندگان کے حق میں درج کئے گئے ہیں اور تمام پرانے چارجز کو خالی/مطمئن کر دیا گیا ہے۔

## مستقبل کا کیفیت نامہ۔

(1)۔ گزشتہ سال یعنی 20-2019 لیکویڈیشن کی مدت کے تحت تھا اور کمپنی اس مدت کے دوران کام نہیں کر رہی تھی۔ کمپنی کی بحالی تک کوئی پیداوار حاصل نہیں ہوئی۔ یہ بحالی معزز لاہور ہائی کورٹ لاہور کی جانب سے مورخہ 29-10-2021 کے حکم نامے کی تبدیلی کے ساتھ ہوئی۔ تاہم، اس وقت ملک کو تباہ کن سیلابوں کا سامنا ہے جس نے کپاس کی زیادہ تر فصل کو تباہ کر دیا ہے۔ لہذا، مالی سال 2022-23 کے دوران خام مال کی دستیابی تشویش کی ایک بڑی وجہ ہوگی۔ کپاس کی قیمتوں میں مسلسل اضافہ بین الاقوامی ٹیکسٹائل مارکیٹوں کے معاملات پر منفی اثر ڈالے گا۔ اگرچہ چیلنجز بہت زیادہ ہیں لیکن ہم کمپنی کے طویل مدتی اہداف کو پورا کرنے کے لیے بہترین طریقے سے کارکردگی کا مظاہرہ کرنے اور اپنے اسٹیک ہولڈرز کی قدر میں اضافہ کرنے کے لیے پرعزم ہیں۔ کمپنی کو اب کسی بڑی سرمایہ کاری کی ضرورت نہیں ہے۔ صرف کچھ تزئین و آرائش کے کام کی ضرورت ہے جو کمپنی کی کارپوریٹ حیثیت کی بحالی کے بعد شروع کر دی گئی ہے۔

(2)۔ ابتدائی سالوں کے لئے درکار سرمایہ کا انتظام سپانسرز، قرض، کمپنی کے غیر بنیادی اثاثوں کی فروخت کے ذریعے کیا گیا ہے اور بینکس بھی ضروریات کے مطابق نئی برآمد پر مبنی درکار سرمایہ فراہم کرنے کے لیے پرعزم ہیں۔

(3)۔ کمپنی کی پیداواری صلاحیت بہت زیادہ ہے اور ابتدائی سالوں کے دوران کام کرنے والے سرمائے کے محدود انتظامات کی وجہ سے پوری صلاحیت کو اپنی برآمدات/فروخت کے لیے استعمال نہیں کیا جاسکتا۔ لہذا؛ انتظامیہ نے ٹول مینوفیکچرنگ کی بنیاد پر دستیاب صلاحیت کو چلانے کا منصوبہ بنایا ہے۔ کمپنی کو معیاری مصنوعات کے لیے اچھی شہرت حاصل ہے۔ لہذا؛ امید ہے کہ ٹول مینوفیکچرنگ سروسز کی ضرورت والے صارفین کی کوئی کمی نہیں ہوگی۔ اللہ تعالیٰ کے فضل و کرم سے انتظامیہ نے مختلف طبقات کے تحت منصوبہ بند/مطلوبہ پیداواری صلاحیت کے استعمال کو حاصل کر لیا ہے۔

(4)۔ اب بحالی اسکیم کی منظوری کے ساتھ کمپنی کی اصل ادائیگی کی صلاحیت کی بنیاد پر ایک حقیقت پسندانہ مفروضوں پر مبنی ادائیگی کا شیڈول کمپنی کے تمام قرض دہندہ بینکوں/ڈی ایف آئیز کے ساتھ تیار کیا گیا ہے۔ اگلے 14 سالوں کے دوران کمپنی کو ماضی کی طرح کوئی بھاری سودا کرنے کی ضرورت نہیں ہے۔ کمپنی کے خلاف بینکوں کی شدید قانونی چارہ جوئی ختم ہوگئی ہے۔ اب انتظامیہ پیداوار/فروخت پر توجہ مرکوز کرنے اور شیڈول کے مطابق کمپنی کے قرض کی ادائیگی کے لیے بہتر پوزیشن میں ہوگی۔ کمپنی نے انتظامات کی نئی منظور شدہ اسکیم کے تحت اپنی تمام مالی ذمہ داریوں کی تعمیل کی ہے۔



## آڈیٹرز کے خدشات پر وضاحت -

(1)۔ جاری رہنے والی کمپنی کا مشاہدہ۔

(i)۔ کمپنی نے اسی سال میں 282 ملین کے نقصان کے مقابلے میں 141 ملین روپے بعد ٹیکس منافع حاصل کیا ہے۔ انتظامیہ کو یہ بتاتے ہوئے خوشی ہے کہ کمپنی نے 12 سال کے بعد ایک مثبت نچلی سطح حاصل کی ہے۔ بندوبست کی سکیم کی منظوری کے بعد بینکوں نے اپنی ذمہ داریوں کو دوبارہ ترتیب دیا ہے اور کمپنی متفقہ شرائط کے مطابق قسطیں ادا کر رہی ہے۔ بندوبست کی سکیم کے مطابق بینکوں کے ساتھ شرائط و ضوابط کی پوری طرح تعمیل کی جاتی ہے۔ بندوبست کی سکیم کے کامیاب نفاذ کے نتیجے میں قرض دہندگان کی طرف سے دائر کردہ وصولی کے تمام زیر التوا مقدمات کو ملتوی کر دیا گیا ہے۔ کمپنی نے 333.479 ملین روپے کی اپنی اصل ذمہ داری ادا کر دی ہے اور انتظامیہ نے 493.400 ملین روپے نئے ورکنگ کپٹل کے طور پر شامل کیے ہیں۔

(ii)۔ ترجیحی حصص کی ذمہ داریوں کا ازالہ اسکیم آف ارتجمنٹ میں حسب ذیل کیا گیا ہے۔

ا۔ مندرجہ ذیل قرض دہندگان میں سے ہر ایک فی الحال درج ذیل بقایا رقم کے ترجیحی حصص رکھتا ہے (حصص کی قیمت کی بنیاد پر)۔

قرض دینے والے	فیس ویلیو پر ترجیحی حصص کی ادائیگی اور بقایا رقم
حبیب بینک لمیٹڈ	100,000,000/- پاکستانی روپے
عسکری بینک لمیٹڈ	100,000,000/- پاکستانی روپے
نیشنل بینک آف پاکستان	100,000,000/- پاکستانی روپے

II۔ ندرجہ بالا رقم ہر ایک ترجیحی شیئرز رکھنے والوں کو ادا کی جائیگی یا اسی طرح دوسرے ترجیحی شیئرز رکھنے والوں کو بھی تین برابر کی اقساط

میں پرنسپل قرضہ 14 سال میں ادا ہونے کے بعد تین سال میں ادا کی جائیگی۔

(iii)۔ جیسا کہ کمپنی نے اپنا کام شروع کر دیا ہے اور اسے مزید قابل عمل اور کامیاب بنانے کے لیے انتظامیہ میں تمام کلیدی عہدوں کو بھرا ہوا ہے۔ ایک انتہائی قابل اور تجربہ کار ٹیم بورڈ میں شامل ہے۔

(iv)۔ کمپنیز ایکٹ 2017 کے سیکشن 257 کے تحت ایس ای سی پی کی جانب سے شروع کی گئی کارروائی کو لاہور ہائی کورٹ نے روک دیا ہے۔ مزید یہ کہ لاہور ہائی کورٹ نے 29-10-2021 کو بند کرنے کا فیصلہ واپس طلب کر لیا ہے، اور کمپنی کی انتظامیہ کو اس کی اصل انتظامیہ میں منتقل کر دیا گیا ہے اور اس کے بعد ڈائریکٹرز کے نئے انتخابات ہوئے جن میں دونوں مزید ڈائریکٹرز سمیت ڈائریکٹرز بورڈ میں شامل ہو گئے ہیں۔

(v)۔ بحالی کا منصوبہ چارٹرڈ اکاؤنٹنٹس کی بین الاقوامی سطح پر ٹاپ 5 کی ایک مشہور فرم نے تیار کیا تھا جسے مالیاتی اداروں اور عدالت کی طرف سے باقاعدہ طور پر منظوری دی گئی تھی۔ اسی منصوبے کو انتظامیہ نے کامیابی کے ساتھ انجام دیا ہے۔

(اوپر بیان کردہ اقدامات کی بنیاد پر انتظامیہ کو یقین ہے کہ کمپنی نہ صرف جاری رہے گی بلکہ آنے والے وقت میں منافع بخش بھی ہوگی)

2۔ انتظامیہ پہلے ہی بندوبست کی گئی سکیم فراہم کر چکی ہے جس میں بینک وائرز بقایا جات شامل ہیں جن کی تصدیق مالیاتی اداروں اور عدالت نے کی ہے۔

3۔ مختلف کھاتوں میں پڑے ہوئے بقایا جات کی تھوڑی سی رقم بک ریکارڈ کے مطابق فراہم کی گئی تھی لیکن طویل عرصے سے بقایا اور غیر فعال/ غیر معمولی نوعیت کے بینک ٹھیکے حاصل کرنا مشکل تھا۔ ان اکاؤنٹس میں رقم کا مالی بیانات پر کوئی خاص اثر نہیں ہوتا ہے۔

4۔ انتظامیہ نے قانونی مشیر/ٹیکس ایڈوائزر کے سرٹیفکیٹس کے ساتھ زیر التوا مقدمات کی مکمل فہرست فراہم کی ہے جن کا عنوان، "انتظامات اور وعدے" کے تحت مناسب طریقے سے بیان کیا گیا ہے۔ اس لیے یہ مشاہدہ غیر ضروری ہے۔

5 & 11۔ بیلنس شیٹ کی تشریح پر کمپنی 13/07/2017 کے عدالتی حکم کے تحت لیکویڈیٹرز کے زیر انتظام تھی اور انہیں ری ویلوشن نہیں ملی تاہم کمپنی آنے والے سال میں ری ویلوشن کرنے کا منصوبہ بنا رہی ہے۔

6۔ بندوبست کی سکیم کے پیش نظر مارک اپ کے حصول کی ضرورت نہیں ہے اور اس کی کاپی آڈیٹرز کو فراہم کی جاتی ہے۔ آڈیٹرز نے اپنے ابتدائی پیراگراف میں اسکیم کی رسید اور مواد کو تسلیم کیا ہے۔



7۔ بیلنس شیٹ کے وقت کمپنی لیکویڈیٹرز کے ہاتھ میں تھی اور بعد میں عدالت کی طرف سے آڈیٹرز کا تقرر کیا گیا۔ اس لیے عملی طور پر جسمانی تصدیق ممکن نہیں تھی تاہم آڈیٹرز کو ٹھیکیت فراہم کیے گئے تھے۔

8۔ کمپنی کو مالی طور پر سپورٹ کرنے کیلئے ڈائریکٹرز/اسپانسرز نے کمپنی کیلئے قرضوں کی ذمہ داری کو دوبارہ ادا نہ کرنے کا انتخاب کیا۔

9۔ اثاثوں کے تحت مالیاتی لیز سے مشرور واجبات قرض دہندگان اور عدالت کی طرف سے منظور شدہ ترتیب کی سکیم کا حصہ ہیں۔

10۔ ری ویلوایشن پرسرپلس کے متعلق درست موثر ٹیکس کی ذمہ داری 608 ملین روپے پر تیار کی گئی ہے اور ایسے ری ویلوایشن پرسرپلس سے کاٹ کر موثر ٹیکس کی ذمہ داری کے طور پر دیکھا جانا ہے جمع شدہ نقصانات اور ٹیکس کریڈٹ کی وجہ سے منافع / نقصان کے اکاؤنٹس کے خلاف کسی موثر ٹیکس کی فراہمی کی ضرورت نہیں ہے

12۔ کمپنی نے ایکسپورٹ بل کی واپسی نہ کرنے کا معاملہ SBP کے ساتھ اٹھایا ہے۔ جس نے وہاں پر معمولی جرمانہ عائد کیا ہے۔ چونکہ جرمانے کا اثر خاص نوعیت کا نہیں ہے اس لیے یہ آڈٹ شدہ مشاہدہ غیر ضروری ہے۔

13۔ ہم نے آڈیٹرز کی طرف سے فراہم کردہ فہرست اور نمونہ کے مطابق قرض نادرندگان رقم وصول کرنے والے اور رقم دینے والوں کو خطوط بھیجے ہیں۔ آڈیٹرز کو خطوط بھیجے کا ثبوت بھی پیش کر دیا گیا ہے۔ درحقیقت کمپنی کچھ عرصے سے غیر فعال تھی اس لیے کچھ صارفین کو آڈیٹرز کی درخواست کا جواب دینے میں مشکل پیش آتی ہے۔ انتظامیہ نے آڈیٹرز کی ضروریات کے مطابق اپنا کردار ادا کیا ہے۔

14۔ آڈیٹرز کو شیئر ہولڈرز کے غیر دعویٰ شدہ ڈیوڈنٹ کی تفصیل فراہم کر دی ہے۔ حبیب بینک اکاؤنٹ نمبر 03-1152-02536258 میں ڈیوڈنٹ ورٹس کی نقد رقم کے لئے کافی بیلنس موجود ہے۔

15۔ برآمدات کی فروخت میں مفاہمت پہلے ہی اختلافات کی وجہ سے فراہم کی جا چکی ہے۔

16۔ متعلقہ تکنیکی ڈائریکٹرز کے دستخط شدہ صلاحیت اور حقیقی پیداوار کے سرٹیفکیٹس فراہم کئے گئے ہیں۔ ترجیحی حصص کی مناسب تقسیم کو قابل واپسی اور تبدیل کرنے کے قابل حصص میں کام کرنے کے ساتھ ساتھ آڈیٹرز کو پہلے ہی فراہم کر دیا گیا ہے۔

17۔ 0.204 ملین روپے کے ایک پیچج نفع کو صحیح طریقے سے ریکارڈ کیا گیا ہے اور اس کی درجہ بندی کی گئی ہے اور اسے دوسری آمدنی کے بجائے فروخت کا حصہ بنایا گیا ہے۔ اس مشاہدے کی نوعیت اور مقدار فطرت میں خاص نہیں ہے۔

18۔ خام مال کی کھپت اور اس کے ریکارڈ کا ملانا پہلے ہی آڈیٹرز کو فراہم کیا جا چکا ہے۔

19۔ کمپنی نے اصل واجبات کے تعین اور اس کی قسطوں کے حصول کے لیے EOBI اور پنجاب کے ملازمین کے سوشل سکیورٹی اداروں کے ساتھ معاملہ اٹھایا ہے کیونکہ یہ یونٹ کچھ وقت کے لیے غیر فعال رہتا ہے اور اس مدت کو ان محکموں کے لیے اپنی ذمہ داریوں میں کچھ ایڈجسٹمنٹ کی ضرورت ہوتی ہے۔

20۔ فریقین کے درمیان طے پانے والے معاہدے کے مطابق کمپنی اپنی ضروریات کے لئے سکیورٹی ڈیپوزٹ استعمال کر سکتی ہے۔ اسی کو آڈٹ ٹیم کے سامنے باضابطہ طور پر ظاہر کیا جاتا ہے۔

21۔ اس ضرورت کو صحیح طریقے سے ظاہر کیا گیا ہے۔

22۔ اسٹیٹ بینک آف پاکستان کراچی (بینکنگ پالیسی ڈیپارٹمنٹ) نے اپنے خط نمبر BPD/PU-22/22,03/17842/2004/9288 کے ذریعے مورخہ 21-07-2004 کو کچھ شرائط و ضوابط کے تحت کمپنی کی ایکویٹی میں ترجیحی حصص شامل کیے ہیں۔ اور مذکورہ خط پہلے ہی آڈیٹرز کو فراہم کر دیا گیا ہے۔

23۔ DLTL برائے سال 2019 کا اطلاق کاروبار میں اضافے پر ہوتا ہے اور ہمارے معاملے میں برآمد میں کمی واقع ہوئی ہے۔

24۔ واجبات کے تحت انکم ٹیکس کی مطلوبہ رقم کو مناسب طریقے سے ظاہر کیا گیا ہے۔

**شیئر ہولڈرز کو سالانہ آڈٹ شدہ اکاؤنٹس اور سالانہ اجلاس عام کے نوٹس**

**کی بذریعہ D/DVD/USB ترسیل۔**

ایس ای سی پی کے نوٹیفکیشن ایس آر او نمبر 470(1)/2016 مورخہ 31 مئی 2016 کے تحت کمپنیوں کو اجازت دی گئی ہے کہ وہ آئندہ سوں میں ممبرز کو اپنی سالانہ رپورٹس بشمول سالانہ آڈٹ شدہ اکاؤنٹس، سالانہ اجلاس عام کا نوٹس اور کمپنی کی دیگر معلومات ہارڈ کاپیوں کی بجائے CD/DVD/USB کے ذریعے

ارسال کر سکتی ہے۔ تاہم کمپنی شیئر ہولڈرز کے مطالبہ پر انہیں سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپی طلب کئے جانے کے ایک ہفتے کے اندر انکے رجسٹریڈریس پر بلا معاوضہ فراہم کرے گی۔

### کارپوریٹ سماجی ذمہ داریاں :-

کمپنی کے تحلیل ہونے کی وجہ سے مذکورہ بالا معلومات کو ان اکاؤنٹس میں نظر اندازہ کر دیا گیا ہے۔

### شیئر ہولڈنگ کا انداز :-

شیئر ہولڈنگ کا انداز 30 جون 2019 پر بشمول معلومات کوڈ آف کارپوریٹ گورننس کے زیر تفتیش برائے عام اور غیر ووٹنگ کی مجموعی پرفارمنس منسلک ہے۔

### بورڈ آف ڈائریکٹرز اور انکے اجلاس :-

کمپنی کے تحلیل ہونے کی وجہ سے ڈائریکٹران کے اختیارات کمینیز ایکٹ 2017 کے سیکشن 365 کے تحت ختم ہو گئے تھے اس لئے کوئی اجلاس نہیں ہوا۔

### آڈٹ کمیٹی :-

کمپنی کے تحلیل ہونے کی وجہ سے آڈٹ کمیٹی غیر فعال تھی۔

### کارپوریٹ گورننس کا کوڈ :-

کمپنی کے تحلیل ہونے کی وجہ سے کارپوریٹ گورننس کے ضابطے کی دفعات لاگو نہیں تھی۔

### آڈیٹرز :-

I۔ سابق جوائنٹ آفیشل لیکویڈیٹرز نے معزز لاہور ہائی کورٹ لاہور سے مورخہ 06-03-2020 کو آڈیٹرز میسرز سے لیکویڈیشن مدت یعنی جولائی 2019 سے جنوری 2020 کے اکاؤنٹس کا آڈٹ کرنے کی اجازت طلب کی ہے۔ رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، لاہور جیسا کہ عدالت نے مذکورہ مدت کے لئے پہلے مقرر کیا تھا۔

II۔ بورڈ نے آئندہ مالی سال 2020 کے لیے میسرز ایم یوسف عادل سلیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس فیصل آباد کو بیرونی آڈیٹر کی تقرری کی بھی سفارش کی ہے۔

### تسلیم وتحسین :-

بورڈ آف ڈائریکٹرز حصص یافتگان، سرکاری ایجنسیوں اور مالیاتی اداروں کی حمایت کے لئے اپنی تعریف ریکارڈ پر رکھتا ہے۔

(حسب الحکم بورڈ آف ڈائریکٹر)



(محمد نعیم)

(چیف ایگزیکٹو آفیسر)



(محمد فیصل لطیف)

(ڈائریکٹر)

فیصل آباد:

03: جنوری 2023ء



## INDEPENDENT AUDITORS' REPORT

### TO THE DIRECTORS OF CHENAB LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **Chenab Limited** (the Company), which comprise the statement of financial position as at **30 June 2019** and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the company Because of the significance of the matters described in the Basis for Disclaimer of Opinion section we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

1. The Company, as disclosed in note 1.3, has earned a net total comprehensive profit during the year of Rs. 194.454 million, as on 30 June 2019 its accumulated losses are Rs. 9,145.112 million, equity is negative by Rs. 877.879 million and current liabilities exceeds the current and liquid assets by Rs. 9,428.855 million and Rs. 9,457.829 million, respectively. There are difficulties in recoveries against debts and advances and making payment to creditors and bankers. The Company has not been paying-off dividend against cumulative preference shares due to the operational and financial problems. The Company has adverse key financial ratios and lost key staff without replacement. It had not redeemed preference shares on exercise of put options by holders of preference shares due to tight cash flow situation. The Company had been facing deterioration in relationship with bankers because of non-compliance with terms of loans agreements and banks and financial institutions have also filed cases for recovery and winding up of the Company which the management had been defending. SECP has also initiated proceedings for investigations under the Companies Ordinance, 1984 (now the Companies Act, 2017). The litigations also adversely affected the process of negotiations with banks for extension and rescheduling of credit facilities. Further on 13 July 2017 the Lahore High Court ordered to wind up the Company under the provision of the Companies Ordinance, 1984 (now the Companies Act, 2017) and appointed joint official liquidators of Chenab Limited. The management filed an appeal before Supreme Court of Pakistan against this order and leave of appeal was not granted and dismissed on 08 January 2019. The sponsors of the Company filed a scheme of arrangement (the Scheme) before Lahore High Court u/s 279 to 283 and 285(8) of Companies Act, 2017 for reversal of winding up order. The Scheme, inter alia, envisaged the restructuring of the Company's debts owed towards its creditors and injection of further capital to revive it. A meeting was held on 22 February 2021 by the shareholders and secured creditors of the Company under the chairman appointed by the Honourable Lahore High Court. After approval of the Scheme by 100% of shareholders and 90.40% of secured creditors; Lahore High Court approved the Scheme on 14 September 2021 later on reversed the winding up order on 29 October 2021 and assets were handed over and directors were restored.

Revival of the Company is dependent on many variable, including but not limited to the accuracy of information used by the management of the Company in preparation of the Scheme, commitment of all stakeholders to the project and ability of the management to achieve the projected financial results. These conditions indicate the existence of significant material uncertainties which may cast significant doubt on ability of the Company to continue as going concern, to realize its assets and to discharge its liabilities in normal course of business. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classifications of liabilities that might be necessary should the Company be unable to continue as going concern. Under the circumstances use of going concern assumption is not appropriate;

2. We did not receive response to our letters from 15 out of 18 banks/ financial institutions requesting for confirmations of balances outstanding on account of LongTerm Financing and Short Term Bank Borrowings amounting' to Rs. 5,025.583 million (note 8) and Rs. 4,272.992 million (note 13) respectively. Further the Company is in breach of the covenants of the 'long term financing' and 'liabilities against assets subject to finance lease' and as per the requirement of the IAS I (Presentation of Financial Statements), has not classified its long term financing into current liabilities, which constitute the departure from International Financial Reporting Standard. Moreover, owing to the litigation with financial institutions, the Company has discontinued payments of installments and consequent default penalty or additional markup has neither been recognized, nor disclosed in these financial statements. Therefore, accuracy of the figures could not be ascertained.

However, subsequently Lahore High Court has approved a debt restructuring scheme filed by all of its shareholder and majority of secured creditors on 14 September 2021;

3. We have not received response to our request for balance confirmation from 46 out of 63 banks amounting to Rs. 17.515 million. Moreover, we have neither been provided with the bank statements for relevant period nor bank reconciliation statements relating to 20 out of 63 banks amounting to Rs. 0.052 million. Furthermore, 9 bank accounts with nil balances were confirmed by 2 banks which were not disclosed to us by the Company. We were also not able to satisfy ourselves through alternative means;
4. Contingencies, as disclosed in note 14 (Contingencies and commitments), are not supported by details and were not completely confirmed by legal advisors of the Company. Accordingly, the reliability and completeness of information disclosed in the financial statements could not be ascertained;
5. The Company has not conducted impairment testing of its property, plant and equipment (note 15) as per the requirements of IAS 36 'Impairment of Assets' in view of suspension of operational activities. Any impact of the same on assets, liabilities and on the statement of profit or loss of the Company is not determined. Further, the carrying value of revalued assets, had there been no revaluation of Rs. 4,869.738 million as disclosed in note 15.2, the resultant incremental depreciation of Rs. 24.953 million and forced sale value of Rs. 2,322.081 million as disclosed in note 5 to the financial statements could not be substantiated due to lack of sufficient and appropriate audit evidence.

Furthermore, the company has neither maintained updated fixed asset register nor any policy to conduct physical verification of fixed assets was provided by the management to us. Moreover, items of property and equipment were not tagged. Due to above reasons, the existence, completeness and valuation of the property and equipment could not be commented upon;

6. The Company has not been recording accrual of markup since July 2011 against long term financing and short term borrowings in view of its requests to the respective lenders to convert all outstanding liabilities into non serviceable loans/ loans subject to reduced rate of markup [Refer Note 14 (Contingencies and commitments) and 30 (Finance Cost) to the financial statements]. Following differences were identified in the bank confirmations:

Financial Institutions	Disclosed in financial statements	Confirmed from bank
<b>Pak Libya Holding Company</b>	Rs. Nil	Rs. 74.097 million
<b>First Credit Investment Bank Limited</b>	Rs. Nil	Rs. 9.918 million
<b>First Punjab Modaraba</b>	Rs. Nil	Rs. 10.021 millfon
<b>Total</b>	Rs. Nil	Rs. 94.036 million

First Punjab Modaraba also confirmed Rs. 5,553,900/- under the name 'Others', which was not reflected in the financial statements. The Company has written back the markup payable and deferred markup amounting to Rs. 1,225.298 million and Rs. 813.374 million respectively which includes Rs. 94.036 million directly confirmed by three banks (refer schedule above). We were not provided with sufficient and appropriate evidence to satisfy ourselves. Thus, we are unable to form an opinion on the validity/ authenticity of the write back;

7. We were appointed as auditors of the Company after end of the year and thus did not observe the physical verification of Stock in Trade, Stores, Spare parts and Loose Tools and Cash in Hand amounting to Rs. 0.230 million (2018: Rs. 29.795 million) (note 18), Rs. 28.744 million (2018: Rs. 36.191 million) (note 17) and Rs. Nil (2018: Rs. 1.180 million) (note 24) respectively, at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventories and cash held at 30 June 2019. Further, the stocks were valued at cost and we have not been provided with documents and evidences to evaluate whether the cost is lower than their Net Realizable Value (NRV). Application of policies of 'Stock in trade' as disclosed in note 2.14 could not be verified. Since these balances enter determination of state of the Company's affairs, financial performance and cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the Company's financial statements for the year ended on 30 June 2019. Further, Store in transit amounting to US\$ 39,600 (calculated @ 86.83 equal to Rs. 3,438,574/-) is outstanding since 2010: The recovery of the amount appears to be doubtful and has not been provided for in the financial statements;
8. Nature of loans from directors and associates, as disclosed in note 8.3 and 8.4, seems to be same, but directors' loan is recorded at historical cost and whereas loan from associates is stated to be recorded at amortised cost and the reason for difference in treatment is not explained. Loans from associates became partially due for repayment on 30 June 2017 but still disclosed as non-current liability. Further, workings of calculations for amortized cost were not available and Deferred Revenue amounting to Rs. 10.315 million (note 8.4) could not be substantiated due to lack of appropriate evidences. In view of lack of evidence, it could not be established that workings and disclosures are in line with IFRS-9 and Technical Release 32 of ICAP;
9. Liabilities against assets subject to finance lease amounting to Rs. 28.703 million could not be substantiated in the absence of direct confirmations from banks/ financial institutions, updated lease agreements and facility letters, due to which accuracy, existence, rights and obligations and disclosures could not be verified;
10. The Company has not recognized deferred tax liability amounting to Rs. 567.931 million as per the calculation provided by tax advisor. Therefore, deferred tax liability amounting .to Rs. Nil as disclosed in note 10 and the relevant deferred tax expense/ reversal disclosed in the financial statements could not be commented upon and accuracy, valuation and disclosures could not be verified;
11. The Company has not conducted impairment testing of its financial assets under expected credit loss method as per the requirements of IFRS 9 'Financial Instruments'. Trade debts - local of Rs. 41.692 million include past due debts amounting to Rs. 27.883 million which indicates the circumstances that financial assets are subject to impairment;



12. The Company had outstanding balances receivable from foreign trade debts amounting to Rs. 1,693.738 million for 730 days as at the reporting date. The management was unable to recover the said amount and resultantly has written off the balance with due approval of Board of Directors. State Bank of Pakistan has issued show cause notices on failure to collect proceeds against exports which may result in penalty of up to five times of the value of goods. This fact is not disclosed in the financial statements;

The provisions and directives of Companies Act, 2017 (4th schedule VI(9)(iii)) require the Company to name the defaulting parties, relationship if any, and default amount. Trade debts relating to export sales amounting to Rs. 1,693.738 million, which were outstanding for more than 730 days and written off by the management, are not being appropriately disclosed in the financial statements,

13. We did not receive response to the direct confirmations circularized in respect of 'trade creditors', 'trade debt - Local', and 'advances to suppliers/contractors' amounting to Rs. 266.848 million, Rs. 19.575 million and Rs. 19.399 million respectively.

Furthermore, 'trade creditors' (note 11), 'contract liabilities' (note 11), 'trade debt -Local' (note 19) and 'advances-to suppliers/contractors' (note 20) included static balances amounting to Rs. 750.503 million, Rs. 102.320 million, Rs. 15.824 million and Rs. 20.124 million respectively for which no alternative procedures could be performed in absence of direct confirmations. Therefore, we could not satisfy ourselves in respect of these heads through alternative means to the extent disclosed above;

14. With respect to 'Unclaimed dividend' of Rs. 0.366 million, we have not received the evidences ensuring the compliance of Section 24 of Companies Act, 2017 and disclosure requirement in this respect;
15. We have not been provided with reconciliation of export sales as per financial statements amounting to Rs. 88.070 million and sales tax return amounting to Rs. 75.630 million. Moreover, export sales during the period from February 2019 to June 2019 were not reflected in the relevant sales tax returns. In the absence of aforementioned reconciliation, we were unable to verify accuracy and occurrence of the export sales;
16. Following balances and information incorporated in financial statements could not be substantiated due to lack of appropriate workings and documents;

- I. Installed Capacity and Actual Production (note 35),
- II. Dividend for cumulative preference shares (note 42);

17. The Company has not recorded the translation of foreign currency balances accurately resultantly exchange loss was understated by Rs. 74.857 million. This constitutes a departure with the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates. Moreover, exchange gain of Rs. 0.204 million has been wrongly classified as 'sales' instead of 'other income';
18. The Company has recorded raw material consumption amounting to Rs. 160.249 million out of which Rs. 144.439 million relates to factory overheads, resultantly raw material consumption reported in cost of sales does not reconcile with consumption of stock-in-trade. Further, move- orders related to inter departmental transfer and value addition across the production cycle were not made available to us. Consequently, we were unable to verify occurrence, classification and accuracy of raw material consumption;
19. Creditors include EOBI payable amounting to Rs. 60.684 million and social security payable amounting to Rs. 31.154 million which relates to period till December 2018. The Company has not complied with the requirement of depositing the contributions within 15 days under "Employees' Old-Age Benefits (Contributions) Rules, 1976" and "The Provincial Employees' Social Security (Contributions) Rules 1966" respectively. Neither consequential impact of default penalty/ surcharge due to non-compliance of related provisions of the relevant laws have been quantified nor it has been disclosed in the financial statements;
20. IFRS 16 - Leases requires the recording of operating lease rental income on straight line basis over the lease term. The management has recorded such rental income on receipt basis amounting to Rs. 63.290 million (Note 29) which constitutes a departure from the said IFRS;
21. Security deposit amounting to Rs 442.225 million (note 11) includes the amount of Rs.432 million received as advance from customer (Chen One Stores) as per the agreement, which leads to wrong

classification of this balance. It also includes Rs. 10.225 million received as security deposit from various tenants. The disclosure requirements of the Companies Act, 2017 (4th schedule VI(29)) are not followed with respect to bifurcation of the security, its utilization and purpose and keeping the amount in separate bank account. Due to these circumstances, security deposits could not be verified;

22. The Company has disclosed basic earnings per share of Rs. 1.23 per share and mentioned that there was no dilutive effect at the reporting date in note 32 of the financial statements. However, the Company had previously issued cumulative, redeemable preference shares with a put option, as disclosed in note 4 of the financial statements, which carries the dilutive effect as per IAS 33 - Earnings per Share. The above mentioned observation restricts the true and fair presentation of the financial statements;
23. The Company with respect to cumulative, redeemable preference shares of Rs. 800 million, as per note 4 to the financial statements has not complied with the requirement of IFRS 9 (Financial Instruments) with respect to accounting treatment of compound financial instrument which constitutes a departure from International Financial Reporting Standards. Therefore, its relevant figures, presentation and disclosures relating to these balances could not be substantiated;
24. As per. the note 5 to the financial statements, the Company got its freehold land, building on freehold land, plant and machinery, electric installations and generators revalued on 30 June 2015. Later on 30 September 2016, only freehold land was revalued. As per paragraph 31 of IAS 16 - Property, Plant and Equipment: Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. We consider it necessary at the year end because of wind in up order passed by the Lahore High Court and consequent nominal amount of sales as compared to last year. Therefore, any impact of the above on assets, liability and other comprehensive income is not presently determinable;  
  
Further, Surplus on Revaluation of Property, Plant and Equipment (note 05) for which reconciliation with the revaluation report and its working till 30 June, 2018 were not made available to us. Hence the amount of Rs. 5,739.343 million as at 1 July 2018 could not be commented upon.
25. 'Tax refunds due from Government' (note 23) includes 'sales tax' and 'income tax' amounting to Rs. 17.767 million (2018: Rs. 14.859 million) and Rs. 14.307 million (2018: Rs. 14.307 million) respectively. Sales tax includes balance relating to prior years amounting to Rs. 9.878 million for which, no supporting evidence was provided to us. Furthermore, the amount disclosed under income tax could not be verified due to a lack of sufficient and appropriate audit evidence;
26. The Company has recorded Duty Drawback of Local Taxes and Levies (DLTL) (note 25) amounting to Rs. 2.453 million relevant to the financial year 2018 in the current financial year. Further, DLTL for the financial year 2019 was not recorded in the financial statements. This constitutes a departure of accrual concept as per IAS 1 - Presentation of Financial Statements. Hence, cutoff, accuracy, completeness and valuation could not be verified;
27. The Company had not appropriately complied with requirements of Income Tax Ordinance, 2001 regarding deduction and deposit of income taxes applicable on payments made to vendors;

### **Emphasis of Matter**

We draw attention to Note 40 of the financial statements, which discloses the liquidator's statement of Receipts and Payments for the period from 8 January 2019 to 30 June 2019 under the provision of the Companies Act, 2017. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the basis for disclaimer of opinion paragraph of our report, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

### **Report on Other Legal and Regulatory Requirements**

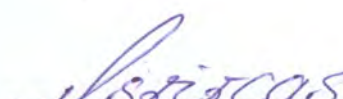
Based on our audit, we further report that:

- a) Because of the significance of the matters described in the Basis for Disclaimer of Opinion section we were unable to form an audit opinion whether:
  - i. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017),
  - ii. the statement of financial position, the statement of profit or 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,
  - iii. the investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business, and
- b) In our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

### **Other Matter**

We were appointed to audit the financial statements of the Company by Honourable Lahore High Court through its order dated 14<sup>th</sup> October 2019 (C.M No 26/2019). This appointment was a result of winding-up order passed by the Honourable Lahore High Court dated 13<sup>th</sup> July 2017. Subsequently, the assets of the Company in winding-up were handed over to the management through order dated 29<sup>th</sup> October 2021 (C.M No 29-C/2019). Therefore, the audit report has been addressed to the directors of the Company in place of joint liquidators.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Rashid Rahman Mir.

  
 Rahmatan Sarfaraz Rahim Iqbal Rafiq  
 CHARTERED ACCOUNTANTS  
 Lahore: 03 JAN 2023



# BALANCE SHEET

AS AT JUNE 30, 2019

(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Note	2019 Rupees	2018 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital	3	1,150,000,000	1,150,000,000
Cumulative preference shares	4	800,000,000	800,000,000
Surplus on revaluation of property, plant and equipment	5	5,714,390,631	5,739,343,363
Capital reserves	6	526,409,752	526,409,752
Revenue reserves	7	(9,068,679,579)	(9,263,133,935)
		(877,879,196)	(1,047,380,820)
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	8	2,322,962,831	2,448,167,352
Liabilities against assets subject to finance lease	9	-	-
Deferred liabilities	10	18,475,005	951,995,760
Deferred revenue		10,314,720	10,314,720
		2,351,752,556	3,410,477,832
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,147,732,568	1,972,091,940
Unclaimed dividend		366,071	366,071
Interest / markup payable	12	-	1,225,297,876
Short term bank borrowings	13	4,344,992,444	4,344,994,597
Current portion of :			
Long term financing	8	3,076,043,274	2,952,338,753
Liabilities against assets subject to finance lease	9	28,702,544	28,702,544
Provision for taxation - income tax		15,952,862	41,953,978
		9,613,789,763	10,565,745,759
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
		11,087,663,123	12,928,842,771

The annexed notes from 1 to 45 form an integral part of these financial statements.



(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	10,890,091,750	10,993,406,655
Operating assets	16	12,636,768	12,636,768
Long term deposits		10,902,728,518	11,006,043,423
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	28,743,953	36,190,798
Stock in trade	18	230,000	29,794,979
Trade debts	19	41,691,634	1,728,209,931
Loans and advances	20	21,785,626	21,666,438
Deposits and prepayments	21	10,658,620	10,832,233
Other receivables	22	19,773,988	18,139,386
Tax refunds due from Government	23	44,485,387	59,175,543
Cash and bank balances	24	17,565,397	18,790,040
		184,934,605	1,922,799,348
		<b>11,087,663,123</b>	<b>12,928,842,771</b>



(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2019

(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	Note	2019 Rupees	2018 Rupees
Sales	25	360,869,643	915,909,663
Cost of sales	26	(430,828,397)	(1,081,014,516)
Gross loss		(69,958,754)	(165,104,853)
Operating Expenses			
Selling and distribution expenses	27	(6,918,844)	(23,129,309)
Administrative expenses	28	(78,161,916)	(115,376,342)
		(85,080,760)	(138,505,651)
Operating Loss		(155,039,514)	(303,610,504)
Other income	29	409,806,434	51,759,846
Finance cost	30	(109,141,458)	(9,217,078)
Profit \ loss before taxation		145,625,462	(261,067,736)
Provision for taxation	31	(4,260,908)	(20,791,224)
Profit / loss for the year		141,364,554	(281,858,960)
Profit /loss per share- Basic and diluted	32	1.23	(2.45)

The annexed notes from 1 to 45 form an integral part of these financial statements.



(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)



(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)*

	Note	2019 Rupees	2018 Rupees
Profit / loss for the year		141,364,554	(281,858,960)
Incremental depreciation on revalued assets for the year - net of deferred tax		24,952,732	21,751,932
Remeasurement of defined benefit liability		28,137,070	20,820,456
		53,089,802	42,572,388
Total comprehensive loss for the year		194,454,356	(239,286,572)

The annexed notes from 1 to 45 form an integral part of these financial statements.



(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)



(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

# CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2019

(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

	2019 Rupees	2018 Rupees
<b>a) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / loss before taxation	145,625,462	(261,067,736)
Adjustments for:		
Depreciation on operating assets	99,043,142	198,549,634
Provision for staff retirement gratuity	14,908,283	37,340,224
Gain on disposal of operating assets	(3,828,237)	(155,603)
Finance cost	109,141,458	9,217,078
Balances written back - net	342,602,028	-
Operating cash flows before working capital changes	707,492,136	(16,116,403)
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	7,446,845	31,173,914
Stock in trade	29,564,979	2,980,145
Trade debts	1,686,518,297	(22,561,180)
Loans and advances	(119,188)	(10,508,857)
Deposits and prepayments	173,613	1,785,952
Other receivables	(1,634,602)	9,364,102
Tax refunds due from Government	(2,909,414)	4,032,978
	1,719,040,530	16,267,054
Increase in current liabilities		
Trade and other payables	(2,323,001,499)	32,944,271
	(603,960,969)	49,211,325
Cash generated from operations	103,531,167	33,094,922
Income tax paid	-	-
Finance cost paid	(109,141,458)	29,013,176
Staff retirement gratuity paid	(3,712,199)	(4,148,892)
Net cash generated from operating activities	(9,322,490)	57,959,206
<b>b) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions in operating assets	-	(6,453,356)
Proceeds from disposal of operating assets	8,100,000	350,000
Net cash generated from / (used in) investing activities	8,100,000	(6,103,356)

	2019 Rupees	2016 Rupees
<b>c) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained	-	-
Repayment of :		
Long term financing	-	(62,351,091)
Liabilities against assets subject to finance lease	-	(1,632,463)
(Decrease)/ Increase in short term bank borrowings - net	(2,153)	2,495,671
Net cash used in financing activities	<u>(2,153)</u>	<u>(61,487,883)</u>
Net (decrease) in cash and cash equivalents (a+b+c)	(1,224,643)	(9,632,033)
Cash and cash equivalents at the beginning of the year	18,790,040	28,422,073
Cash and cash equivalents at the end of the year	<u>17,565,397</u>	<u>18,790,040</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.



(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)





(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)*

	Capital reserves						Revenue reserves			Total
	Issued, subscribed and paid up capital	Cumulative preference shares	Surplus on revaluation of property, plant and equipment	Premium on issue of ordinary shares	Book difference of capital under scheme of arrangement for amalgamation	Preference shares redemption reserve	Sub total	General reserve	Accumulated loss	Sub total
<b>R u p e e s</b>										
Balance as at July 01 2017	1,150,000,000	800,000,000	5,761,095,295	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(9,100,280,197)	(9,023,847,363)
<b>Total comprehensive (loss) for the year</b>										
(Loss) for the year	-	-	-	-	-	-	-	-	(281,858,960)	(281,858,960)
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss:	-	-	-	-	-	-	-	-	-	-
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	(21,751,932)	-	-	-	(21,751,932)	-	21,751,932	-
Related deferred tax surplus	-	-	-	-	-	-	-	-	-	-
Surplus during the year	-	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	20,820,456	20,820,456
Related deferred tax	-	-	-	-	-	-	-	-	-	-
	-	-	(21,751,932)	-	-	-	(21,751,932)	-	(239,286,572)	(261,038,504)
Balance as at June 30, 2018	1,150,000,000	800,000,000	5,739,343,363	120,000,000	63,552,610	342,857,142	504,657,820	76,432,834	(9,339,566,769)	(1,047,380,820)
<b>Total comprehensive (loss) for the year</b>										
Profit for the year	-	-	-	-	-	-	-	-	141,364,554	141,364,554
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss:	-	-	-	-	-	-	-	-	-	-
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the year	-	-	(24,952,732)	-	-	-	(24,952,732)	-	24,952,732	-
Related deferred tax	-	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	28,137,070	28,137,070
Related deferred tax	-	-	-	-	-	-	-	-	-	-
	-	-	(24,952,732)	-	-	-	(24,952,732)	-	194,454,356	169,501,624
Balance as at June 30, 2019	1,150,000,000	800,000,000	5,714,390,631	120,000,000	63,552,610	342,857,142	479,705,088	76,432,834	(9,145,112,413)	(877,879,196)

The annexed notes from 1 to 45 form an integral part of these financial statements.

  
**(MUHAMMAD FAISAL LATIF)**  
**(DIRECTOR)**

  
**(MUHAMMAD NAEEM)**  
**CHIEF EXECUTIVE OFFICER**

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

(IN WINDING UP UNDER THE ORDERS OF THE HONOURABLE LAHORE HIGH COURT)

## 1 STATUS AND ACTIVITIES

- 1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 (Now Companies Act 2017) and is listed on Pakistan Stock Exchange. The registered office of the Company is situated at Nishatabad, Faisalabad, in the province of Punjab. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. Geographical location and address of business units/plants are following:

Description	Location	Address
Registered/Head Office	Faisalabad	Nishatabad, Faisalabad
Spinning Unit-I	Toba Tek Singh	3 K.M Shorkot Road, Toba Tek Singh
Weaving Unit-I	Kharianwala	11 K.M Main Faisalabad Lahore Road, Kharianwala, Sheikhpura
Weaving Unit-II	Nankana Sahib	7 K.M Main Faisalabad Lahore Road, Kotla Kalo Shahkot, Nankana Sahib
Processing & Stitching Units	Faisalabad	Main Faisalabad Lahore Road, Nishatabad, Faisalabad

- 1.2 Pursuant to schemes of arrangement approved by the Honorable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibers Limited were merged with the Company with effect from April 01, 2003.
- 1.3 The Company has incurred net profit of Rs.194.454 million. As at June 30, 2019 the accumulated loss of the Company is Rs.9,145.112 million and the current liabilities exceed its current assets by Rs. 9,428.855 million. The Company has not redeemed preference shares on exercise of put options for three consecutive years by holders of preference shares due to tight cash flow situation. The Company has not been able to comply with terms of certain loan agreements. Certain banks and financial institutions have filed cases for recovery and winding up of the Company which the management is defending. SECP has initiated proceedings for investigations under the U/S-257 of Companies act 2017, (Section 265 repealed Companies Ordinance, 1984.) The company has challenged the order and the Honourable Lahore High Court has stayed the proceedings.

On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. Additionally, in order to improve liquidity position of the company, the management is also focusing on arranging advance payments from local as well as export customers. The company could not produce desired results due to operational difficulties mainly due to non-availability of working capital facilities. Due to low production, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved. The management is in regular contact with foreign customers and making small export shipments. The quantum of export could not be increased despite export orders due to shortage of working capital. The management is confident that the Company will be able to continue as a going concern.

The sponsors of the Company filed a Scheme of Arrangement before Lahore High Court Lahore u/s 279 to 283 and 285(8) of companies Act, 2017 for reversal of winding up order whereupon a meeting was held on 22-02-2021 by the Share holders and Secured creditors of the company under the Chairmanship of lawyers duly appointed by the Honorable Lahore High Court Lahore. 100% contributories/shareholders and 90.40% Secured Creditors approved the said scheme of arrangement. Which was approved by the Court on 14-09-2021 and subsequently the Court issued Reversal of winding up order dated 29-10-2021 and Company was handed by management

Thereafter the Court issued Reversal of winding up order dated 29-10-2021 read with said scheme of arrangement and fixed assets of the Company were handed over to the management

According to Scheme of Arrangement the breakup of Principal Debt owed to each of the Lenders individually is bifurcated in the Tier 1 Debt consisting of Rs. 4,737,486,364/- and Rs.4,737,486,364/- Tier 2 debt, aggregated to Rs.9,474,972,728/-. Tier 1 shall be repaid in seven and half (7.5) years from the effective Date. The Tier 2 debt shall be repaid in six and a half (6.5) years from the earlier of (i) the date on which the Tier 1 Debt is repaid

The Company shall pay the Principal Debt and Mark-Up payments to the Agent Bank and the Agent Bank shall pay each lenders its pro-rata share of such repayments.

The official liquidators sought permission for audit of accounts for the year ended 30 June 2019 and M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore were appointed Auditors.

- 1.4 These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.
- 1.5 All the significant transactions and events that have affected the company's financial position and performance during the year have been appropriately disclosed in respective notes.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

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

Provisions of and directives issued under the Companies Act, 2017.

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

### 2.2 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

#### 2.2.1 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company other than increased disclosures in certain cases:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company other than increased disclosures in certain cases:

- AS 1 -Presentation of Financial Statements- ( Amendments regarding the definition of material)
- IAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors- ( Amendments regarding definition of material)
- IFRS 3 - Business Combinations - (Amended-definition of business)
- IFRS 7 - Financial Instruments disclosure- (Amendments regarding replacement issues in the context of the IBOR reform)
- IFRS 9 - Financial Instruments- (Amendments regarding replacement issues in the context of the IBOR reform)
- IFRS 16 - Leases- (Amendments regarding replacement issues in the context of the IBOR reform)
- IFRS16-Leases-(Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification)
- IAS39-Financial Instruments: Recognition and Measurement- (Amendments regarding replacement issues in the context of the IBOR reform)

#### 2.2.2 Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than increased disclosures in certain cases:

- FRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)-(applicable for annual
- IFRS 4 - Insurance Contracts - (Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) issued)
- IFRS 4 - Insurance Contracts - (Amendments regarding replacement issues in the context of the IBOR reform)
- IFRS 9 - Financial Instruments - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)- (Effective for annual periods beginning on or after 1 January 2022))
- IAS 1- Presentation of Financial Statements - (Amendments regarding the classification of liabilities)- (Effective for annual periods beginning on or after 1 January 2023)
- IAS 1- Presentation of Financial Statements - (Amendment to defer the effective date of the January 2020 amendments)- (Effective for annual periods beginning on or after 1 January 2023) annual periods beginning on or after 1 January 2019).
- IAS 1- Presentation of Financial Statements - (Amendments regarding the disclosure of accounting policies)- (Effective for annual periods beginning on or after 1 January 2023)
- IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors - (Amendments regarding the definition of accounting estimates)- (Effective for annual periods beginning on or after 1 January 2023)
- IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous)-(Effective for annual periods beginning on or after 1 January 2022).
- IAS 16- Property, Plant and Equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)- (Effective for annual periods beginning on or after 1 January 2022).
- IFRIC 23 - Uncertainty Over Income Tax Treatments - (applicable for annual periods beginning on or after 1 January 2019).

**Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:**

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## 2.3 Basis of preparation

These financial statements have been prepared under the "historical cost convention" except: -

- certain property, plant and equipment carried at valuation; and
- staff retirement gratuity carried at present value.

**The principal accounting policies adopted are set out below:**

## 2.4 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. Cumulative unrecognised net actuarial gains and losses that exceed ten percent of present value of defined benefit obligation are amortised over the expected average remaining working lives of participating employees.

## 2.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Asset held under finance lease is recognised as asset of the Company at its fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liability against asset subject to finance lease. The liability is classified as current and non current depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liability against asset subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

## 2.6 Trade and other payables

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed to the Company or not.

## 2.7 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 2.8 Provision for taxation

### Current

Provision for current taxation is based on income taxable at the current tax rates after taking into account tax rebates and tax credits available under the law.

### Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## 2.9 Dividend and other appropriations

Dividend is recognised as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made.

## 2.10 Property, plant and equipment

Property, plant and equipment except freehold land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work in progress is valued at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the property, plant and equipment note, except plant and machinery and electric installations. Plant and machinery is depreciated applying the unit of production method and electric installations are depreciated applying the straight line method over their economic serviceable life taken at 25 years.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition or capitalisation and up to the month preceding the month of disposal respectively.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are included in current income.

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

Surplus arising on revaluation of an item of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment, except to the extent of reversal of deficit previously charged to income, in which case that portion of the surplus is recognised in income. Deficit on revaluation of an item of property, plant and equipment is charged to surplus on revaluation of that asset to the extent of surplus and any excess deficit is charged to income. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets and surplus realised on disposal of revalued asset is transferred to unappropriated profit / (accumulated loss) through statement of comprehensive income.

### **Assets subject to finance lease**

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets except building under lease which is depreciated on straight line basis over its lease term of 61 years.

## **2.11 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit and loss account in the period in which these are incurred.

## **2.12 Impairment**

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.13 Stores, spares and loose tools**

These are valued at moving average cost less allowances for obsolete or slow moving items, if any. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

## **2.14 Stock in trade**

Stock in trade except wastes are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost

Wastes are valued at net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost to make the sales. Average manufacturing cost consists of direct materials, labour and a proportion of manufacturing overheads.

## **2.15 Trade debts and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad are written off when identified. Other receivables are recognised at nominal amount which is fair value of the consideration to be received in future.

## **2.16 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

## **2.17 Foreign currency translation**

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the dates of transactions.

## **2.18 Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

## **2.19 Offsetting of financial asset and financial liability**

A financial asset and a financial liability is off-set and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **2.20 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Sales are recorded on dispatch of goods.

## **2.21 Related party transactions**

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

## **2.22 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with IASs / IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables and slow moving inventory and staff retirement gratuity. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

### 3. Issued, subscribed and paid up capital

2019 Number of shares	2018 Number of shares		2019 Rupees	2018 Rupees
35,985,702	35,985,702	Ordinary shares of Rs. 10/- each fully paid in cash.	359,857,020	359,857,020
73,869,559	73,869,559	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares.	738,695,590	738,695,590
5,144,739	5,144,739	Ordinary shares of Rs. 10/- each issued as fully paid under scheme of arrangement for amalgamation.	51,447,390	51,447,390
<u>115,000,000</u>	<u>115,000,000</u>		<u>1,150,000,000</u>	<u>1,150,000,000</u>

3.1 All the share are similar with respect to their rights on voting, dividend board selection, first refusal and block voting.

### 4. Cumulative preference shares

2019 Number of shares	2018 Number of shares		2019 Rupees	2018 Rupees
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each fully paid in cash.	800,000,000	800,000,000

4.1 The preference shares are non-voting, cumulative and redeemable. These are listed on Pakistan Stock Exchange. The holders are entitled to cumulative preferential dividend at 9.25% per annum on the paid up value of preference shares. In case profits in any year are insufficient to pay preferential dividend, the dividend will be accumulated and payable in next year.

4.2 In case the Company fails to redeem cumulative preference shares upon exercise of put options by the holders for any two consecutive years, the holders were entitled to convert the cumulative preference shares into ordinary shares at a price equal to lower of:

- 75% of market value of shares or
- 75% of book value (break up value) or
- face value of shares

The date to exercise put options have been expired on September 25, 2010.

4.3 The holders of 55,080,498 cumulative preference shares called upon to convert preference shares into ordinary shares due to non-redemption of their holding on exercise of put options for two consecutive years. The Company proposed to issue new ordinary shares to preference shareholders holding 49,984,998 cumulative preference shares who have called upon to convert their shares, as per conversion formula laid down in the Prospectus (Refer above 4.2) and Articles of Association of the Company. In view of the reservations, one of the investors filed application under Section 474 of the Companies Ordinance 1984 before the Securities and Exchange Commission of Pakistan which was not entertained by the SECP and Appellate bench being out of domain of Companies Ordinance 1984. SECP has initiated preceding in the court of district and session judge at Karachi alleging trading activities of shares of the company in the manner prohibited under section 17 of Securities and Exchange Ordinance 1969. Since the subject matter of value for conversion of preference shares into ordinary shares is subjudice, the management will issue new ordinary shares on the disposal of the case filed by SECP. The matter of conversion of balance 5,095,500 cumulative preference shares is also pending till the resolution of matter in the court.

4.4 The cumulative preference shares have been classified as part of equity capital in accordance with the terms and conditions of issue, taking into consideration the classification of share capital as indicated in the various provisions of the Companies Ordinance, 1984. Further the contradictions between classification of share capital in the various provisions of the Companies Ordinance, 1984(now Companies Act 2017.) and International Accounting Standards is pending for clarification before the Securities and Exchange Commission of Pakistan.

4.5 However as per scheme of arrangement approved by Honorable Lahore High Court Lahore position of redemption of preference shares shall be as under:-

I. Each of the following Landers currently hold preference shares of the following outstanding amount (based on the shares face value).

Lenders	Paid-up and outstanding amount of preference Shares at Face Value
Habib Bank Limited	PKR 100,00,000
Askari Bank Limited	PKR 100,00,000
National Bank of Pakistan	PKR 100,00,000

II. The above mentioned amounts will be repaid to each of the Lenders (and any other preference shareholder) in equal quarterly installments (over a three (3) year period commencing from the first calendar quarter end to occur after the repayment of the total Principal Debt in 14 years.

## 5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2019 Rupees	2018 Rupees
Opening balance	5,739,343,363	5,761,095,295
Incremental depreciation on revalued assets for the year	(24,952,732)	(21,751,932)
	<u>5,714,390,631</u>	<u>5,739,343,363</u>

5.1 Freehold land was revalued by M/S Protectors as on 30 September 2016 on the basis of market values of Rs.2,731,860,000 (force sale value of Rs.2,322,081,000) was incorporated in financial statements for the second quarter ended on December 31, 2016 which was notified by the board in board meeting of February 27, 2017. However valuation of other assets was not carried out as significant variation in value was not expected.

5.2 Previously such revaluation of freehold land, Building on freehold land, plant and machinery, electronic installations and generators were carried at on the basis of market values, by independent valuer "Protectors" on June 30, 2015.

5.3 Effective 30 May 2017, the Companies Act, 2017 (Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance related to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation relating to revaluation of property, plant and equipment which was not in accordance with the requirements of IAS 16 "Property Plant and Equipment" as applicable in Pakistan. Consequently, the Company changed its presentation for revaluation surplus on property, plant and equipment to bring it in conformity with the requirements of IAS 16 "Property Plant and Equipment". Due to change in presentation, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a reserve i.e. part of equity.

5.4 Previously, the Company's presentation for surplus on revaluation of property, plant and equipment was in accordance with provision of Section 235 of the repealed Companies Ordinance, 1984. Had the presentation not being changed, the surplus on revaluation of property, plant and equipment would have been shown as a separate line item (below equity in the statement of financial position) amounting to Rs. 5,739,343,363/- (2018: Rs. 5,761,095,295/-).

	Note	2019 Rupees	2018 Rupees
6. Premium on issue of ordinary shares		120,000,000	120,000,000
Merger reserve	5.1	63,552,610	63,552,610
Preference shares redemption reserve	5.2	342,857,142	342,857,142
		<u>526,409,752</u>	<u>526,409,752</u>

6.1 It represents book difference of capital under schemes of arrangement for amalgamation.

6.2 It was created as per directive of State Bank of Pakistan and transferable into accumulated loss in due course as the dates of exercising put options for redemption have already been expired.

	Note	2019 Rupees	2018 Rupees
7. Revenue reserves			
General reserve		76,432,834	76,432,834
(Accumulated loss)			
Opening balance		(9,339,566,769)	(9,100,280,197)
Total comprehensive loss for the year		<u>194,454,356</u>	<u>(239,286,572)</u>
		<u>(9,145,112,413)</u>	<u>(9,339,566,769)</u>
		<u>(9,068,679,579)</u>	<u>(9,263,133,935)</u>

## 8. Long term financing

Secured			
Under mark up arrangements			
From banking companies			
Fixed assets finance	8.1	239,227,233	239,227,233
Demand finances	8.1	1,305,200,000	1,305,200,000
Term finances	8.1	2,686,553,038	2,686,553,038
Long term finance	8.1	157,245,796	157,245,796
From financial institutions			
Term finances	8.1	560,260,533	560,260,533
Long term finances	8.1	78,791,139	78,791,139
Not subject to mark up			
From financial institutions			
Term finance XI	8.2	74,000,000	74,000,000
		<u>5,101,277,739</u>	<u>5,101,277,739</u>
Less : Current portion			
Installments over due		3,076,043,274	2,952,338,753
Payable within one year		<u>-</u>	<u>-</u>
		<u>3,076,043,274</u>	<u>2,952,338,753</u>
		<u>2,025,234,465</u>	<u>2,148,938,986</u>
Unsecured from			
Directors	8.3	244,313,086	244,313,086
Associates	8.4	53,415,280	54,915,280
		<u>2,322,962,831</u>	<u>2,448,167,352</u>

**8.1** The terms of repayment of finances are as under;

Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
<b>From banking companies:</b>						
Fixed assets finance	239,227,233	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
Demand finances						
III	65,000,000	15	Quarterly	26-Jun-10	26-Dec-13	3 Months KIBOR + 1.5% p.a
IV	146,000,000	10	Half yearly	30-Sep-10	31-Mar-15	6 Months KIBOR + 0.5% p.a
VII	1,094,200,000	(Refer Note 8.1.1)				
	1,305,200,000					
Nature of loans	Balance Rupees	Number of installments	Payment rests	Commencement date	Ending date	Markup rate
Term finances						
III	106,250,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
IV	462,852,000	20	Quarterly	30-Sep-10	30-Jun-15	3 Months KIBOR + 2.5% p.a with a floor of 11% p.a
V	121,000,000	10	Quarterly	30-Sep-10	31-Dec-12	3 Months KIBOR + 3% p.a with a floor of 12% p.a
VI	130,000,000	60	Monthly	01-Nov-09	01-Oct-14	1 Month KIBOR + 0.5% p.a
X	490,865,000	(Refer Note 8.1.2)				
XI	844,497,000	(Refer Note 8.1.3)				
XII	531,089,038	(Refer Note 8.1.4)				
	2,686,553,038					
Long term finances						
IV	65,754,250	20	Quarterly	30-Sep-07	30-Jun-13	SBP rate + 2% p.a
VII	40,000,000	4	Half yearly	20-Jun-09	20-Dec-10	SBP rate + 2% p.a
VIII	38,433,050	14	Quarterly	01-Jan-07	31-Jan-11	SBP rate + 2% p.a
X	13,058,496	24	Quarterly	28-Mar-10	28-Dec-15	SBP rate + 2% p.a
	157,245,796					
<b>From financial institutions:</b>						
Term finances						
I	300,000,000	20	Quarterly	01-Mar-11	01-Dec-15	6 M KIBOR + 2.5% p.a
II	93,750,000	60	Monthly	23-Jan-11	23-Dec-15	6 M KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
III	47,916,667	60	Monthly	27-Jan-11	27-Dec-15	6 M KIBOR + 3% p.a with a floor of 10% p.a and rebate of 6% p.a during the grace period.
IV	37,500,000	8	Quarterly	01-Mar-11	01-Dec-12	6 M KIBOR + 3% p.a
V	48,537,616	12	Quarterly	29-Jul-11	29-Apr-14	3 M KIBOR + 2.5% p.a
VI	17,578,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
VII	14,978,125	16	Quarterly	29-Apr-09	29-Jan-13	6 M KIBOR + 3% p.a
	560,260,533					
Long term finances						
II	3,090,689	36	Monthly	09-Jan-07	09-Dec-09	SBP rate + 2% p.a
III	12,586,768	48	Monthly	28-Apr-07	28-Mar-11	SBP rate + 2% p.a
IV	24,737,636	9	Half yearly	31-Dec-07	31-Dec-12	SBP rate + 2% p.a
V	12,179,477	13	Quarterly	31-Mar-07	28-Feb-10	SBP rate + 2% p.a
VI	18,888,895	13	Quarterly	31-Mar-07	28-Feb-11	SBP rate + 2% p.a
VII	7,307,674	13	Quarterly	31-Mar-07	31-Mar-11	SBP rate + 2% p.a
	78,791,139					

The loans are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of export and running finances (Refer Note 13.2) and Murabaha finances (Refer Note 13.3). These are further secured by personal guarantee of directors of the Company.

The effective rate of mark up charged during the year ranges from 5% to 9% per annum.



**8.1.1** The loan is repayable as under ;

No. of installments	Installment amount	Balance amount	Commencing from	Ending on
1	20,000,000	14,700,000	30-Sep-15	-
27	20,000,000	540,000,000	31-Dec-15	30-Jun-22
8	41,850,000	334,800,000	30-Sep-22	30-Jun-24
4	44,350,000	177,400,000	30-Sep-24	30-Jun-25
1	27,300,000	27,300,000	30-Sep-25	-
<b>41</b>		<b>1,094,200,000</b>		

**8.1.2** Total amount of the loan was Rs. 499.581 million out of which Rs. 6 million was payable in 12 equal monthly installments commenced from July 01, 2011 and ended on June 01, 2012, Rs. 243.581 million is payable in 54 equal monthly installments commenced from July 01, 2012 and ended on December 01, 2016 and terms of repayment of balance amount of Rs. 250 million are not decided.

**8.1.3** Short term finance of Rs 672.265 million (Refer Note.13), Term Finance II Rs.191.482 million and Term Finance VIII Rs. 118.750 million was converted into long term loan. It is repayable as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
8	500,000	4,000,000	31-05-17	31-12-17
12	1,000,000	12,000,000	31-01-18	31-12-18
12	2,000,000	24,000,000	31-01-19	31-12-19
12	5,000,000	60,000,000	31-01-20	31-12-20
24	10,000,000	240,000,000	31-01-21	31-12-22
11	43,160,000	474,760,000	31-01-23	30-11-23
1	33,737,000	33,737,000	31-12-23	-
<b>80</b>		<b>848,497,000</b>		

Outstanding markup of Rs 33.056 million plus interest on outstanding principal calculated at the rate of 50% of the interest rate declared by the State Bank of Pakistan for relevant years is payable in 12 monthly installments starting from 01-01-2024 till 31-12-2024.

**8.1.4** Short term finance of Rs 549.089 million (Refer Note.13) was converted into long term loan during the year. Outstanding amount is repayable as under;

No. of installments	Installment amount	Total amount	Commencing from	Ending on
5	1,000,000	5,000,000	31-Dec-16	30-Apr-17
6	5,500,000	33,000,000	31-May-17	30-Nov-17
12	4,000,000	48,000,000	31-Dec-17	30-Nov-18
12	5,000,000	60,000,000	31-Dec-18	30-Nov-19
12	6,000,000	72,000,000	31-Dec-19	30-Nov-20
12	7,000,000	84,000,000	31-Dec-20	30-Nov-21
12	9,000,000	108,000,000	31-Dec-21	31-Oct-22
11	10,000,000	110,000,000	31-Dec-22	31-Oct-23
1	11,089,000	11,089,000	30-Nov-23	-
<b>83</b>		<b>531,089,000</b>		

**8.2** It is payable in 47 monthly installments as under;

No. of	Installment amount	Total amount	Commencing	Ending on
1	500,000	500,000	5-Dec-13	-
12	1,000,000	12,000,000	5-Jan-14	5-Dec-14
12	1,500,000	18,000,000	5-Jan-15	5-Dec-15
12	2,000,000	24,000,000	5-Jan-16	5-Dec-16
9	2,000,000	18,000,000	5-Jan-17	5-Sep-17
1	1,500,000	1,500,000	5-Oct-17	-
<b>47</b>		<b>74,000,000</b>		

It is secured against first charge over fixed assets of the Company.

**8.3** These are interest free. Directors' loan of Rs. 196.617 million (2016: Rs. 196.617 million) is subordinated to fixed assets finance and term finances III, VI, VII and X and long term finance VII from banking companies and term finances IV, V, VI and VII from financial institutions. Terms of repayment of these loans have not been decided so far. The loans are stated at cost as there is no likelihood of repayment of these loans during the year.



8.4 These are interest free. These loans are recognised at amortised cost. Loans amounting to Rs 37.58 million (2016: Rs. 15.34 million) are repayable in lump sum after June 30, 2020 and loans amounting Rs 27.65, million (2016: Rs. 27.19) are repayable in lump sum on June 30, 2017. Using prevailing market interest rate for an equivalent loan of 10.12% for loans payable after June 30, 2020 and 9.25% for loans payable on June 30, 2017, the fair value of these loans is estimated at Rs. 54.91 million (2016: Rs 35.28 million). The difference of Rs. 10.31 million (2016: Rs 7.26 million) between the gross proceeds and the fair value of these loans is the benefit derived from the interest free loans and is recognised as deferred revenue.

8.5 Terms and conditions of all above loans have been extracted from old facility letters / settlement agreements as updated documentation is not available due to pending disputes with the banks

**Subsequent as per Scheme of arrangement**

8.6 According to Scheme of Arrangement the breakup of Principal Debt owed to each of the Lenders individually is bifurcated in the Tier 1 Debt consisting of Rs. 4,737,486,364/- and Rs.4,737,486,364/- and Tier 2 debt aggregating to Rs.9,474,972,728/-.

Tier 1 Debt shall be repaid in seven and half years from the effective date 14-09-2021. Tier 2 Debt shall be repaid in 6 and half years after Tier 1. Tier 1 Debt and Tier 2 Debt is to be paid in quarterly installments on the last day of each calendar year i.e March 31st, Jun, 30 September, 30 and 31st December.

The first year after the effective date shall be a grace period subject to any repayment during the first year from proceeds of sale of non core assets as described in the scheme.

The Company shall pay the Principal Debt and Mark-Up payments to the Agent Bank and the Agent Bank shall pay each lenders its pro-rata share of such repayments.

The past Mark up and the initial tier 2 Debt shall be waived off by the lenders if the Principal Debt, tier 1 Debt Mark-Up and subsequent tier 2 Mark-Up are made timely and in accordance with the repayment Schedule. However, in case of any default in timely payments the full amount of such waived amounts shall stand due and payable.

	Note	2019 Rupees	2018 Rupees
<b>9. Liabilities against assets subject to finance lease</b>			
Opening balance		28,702,544	30,335,007
Paid / adjusted during the year		-	(1,632,463)
	9.2	28,702,544	28,702,544
Shown under current liabilities			
Installments over due		(28,702,544)	(28,702,544)
Payable within one year		-	-
		(28,702,544)	(28,702,544)
		-	-

9.1 These represent plant and machinery and generators acquired under separate lease agreements. The purchase option is available to the Company on payment of last installment and surrender of deposit at the end of the lease period.

9.2 The principal are payable over the lease period in monthly and half yearly installments. The liability represents the total minimum lease payments discounted at 11.27% to 17.13% per annum (2018 : 11.27% to 17.13% per annum) being the interest rates implicit in leases.

9.3 The future minimum lease payments to which the Company is committed as at the year end are as under:

Year ending June 30,

	2017	-	-
	2019	36,111,455	36,111,455
		36,111,455	36,111,455
Financial charges			
Payable		(7,408,911)	(7,408,911)
Allocated to future periods		-	-
		(7,408,911)	(7,408,911)
		28,702,544	28,702,544

9.4 Reconciliation of minimum lease payments and their present value is given below:

	2019		2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees			
Due within one year	36,111,455	28,702,544	36,111,455	28,702,544
Due after one year but not later than five years	-	-	-	-
	36,111,455	28,702,544	36,111,455	28,702,544

	Note	2019 Rupees	2018 Rupees
<b>10. Deferred liabilities</b>			
Deferred taxation		-	-
Staff retirement gratuity	10.1	18,475,005	138,621,902
Deferred mark up on:			
Demand finance VII	8.1.1	-	550,243,219
Term finance X	8.1.2	-	168,535,129
Liabilities against assets subject to finance lease	9.2	-	16,823,258
Term finance XI	8.1.3	-	77,772,252
		-	813,373,858
		18,475,005	951,995,760

#### 10.1 Staff retirement gratuity

##### 10.1.1 General description

The scheme provides terminal benefits for all employees of the Company who attain the minimum qualifying period of service as defined in the scheme. Annual charge is based on actuarial valuation using the Projected Unit Credit Method. Latest actuarial valuation is carried out as at June 30, 2019.

	Note	2019 Rupees	2018 Rupees
<b>10.1.2 Balance sheet reconciliation as at June 30,</b>			
Present value of defined benefit obligation		18,475,005	138,621,902
<b>10.1.3 Movement in net liability recognized</b>			
Opening balance		138,621,902	140,008,365
Charge for the year	10.1.4	14,908,283	37,340,224
Paid / adjusted during the year		(3,712,199)	(4,148,892)
Benefits payable		(103,205,911)	(13,757,339)
Remeasurement of obligation		(28,137,070)	(20,820,456)
Balance at June 30,		18,475,005	138,621,902
<b>10.1.4 Charge for the year</b>			
Service cost		1,231,703	23,710,019
Interest cost		13,676,580	13,822,668
		14,908,283	37,532,687

##### 10.1.5 Principal actuarial assumptions

Discount factor used	14.25% Per annum	10% Per annum
Expected rate of increase in salaries	14.25% Per annum	10% Per annum
Expected average remaining working lives of participating employees	10 years	10 years

##### 10.1.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Current liability	18,475,005	138,621,902
+1% Discount rate	15,999,294	124,427,900
-1% Discount rate	21,642,440	141,763,379
+1% Salary increase rate	21,610,057	142,315,222
-1% Salary increase rate	15,978,157	123,793,370

**10.1.7** The above sensitivity analyses are based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as for calculating the liability of staff retirement gratuity.

##### 10.1.8 the following demographic assumptions were used in valuing the liabilities under the plan.

Mortality	Adjusted SLIC 2001-05
Disability	N.A.
Withdrawal	Moderate
Retirement age	60 Years

The average duration of the defined benefit obligation 10 years -

##### 10.1.9 Trend information

	2014	2013	2012	2011	2010
	Rupees				
Present value of defined benefit obligation	18,475,005	90,228,566	101,530,651	145,577,017	157,621,721
Experience adjustment on obligation	(28,137,070)	20,820,456	9,064,358	(1,042,646)	226,482

		2019 Rupees	2018 Rupees
<b>10.2 Deferred taxation</b>			
Opening balance		-	-
(Reversed) during the year on surplus		-	-
Deferred tax related to incremental depreciation transferred to unappropriated profit		-	-
Deferred tax related to remeasurement of staff retirement gratuity		-	-
	10.2.1	-	-
<b>10.2.1 It comprises of the followings:</b>			
Deferred tax liability :			
Difference in tax and accounting bases of property, plant and equipment		752,976,552	1,017,697,376
Deferred tax assets :			
Unadjusted tax losses		(175,373,626)	(1,159,261,784)
Staff retirement gratuity		(3,787,640)	(23,701,735)
Lease liability		(5,884,431)	(4,907,594)
Unrecognised Deferred Tax Asset /Liability		(567,930,855)	170,173,737
		-	-

**10.2.1.1** In absence of future taxable profits projections, amount of Rs. Nil (2018: Rs. 170.173 million ) has not been recognized as deferred tax asset.

	Note	2019 Rupees	2018 Rupees
<b>11. Trade and other payables</b>			
Creditors		1,017,611,973	1,023,298,668
Accrued liabilities		211,367,099	155,849,900
Contract liabilities	11.1	435,238,614	358,173,151
Security deposit		442,225,288	432,000,000
Other		41,289,594	2,770,221
		2,147,732,568	1,972,091,940
<b>12. Interest / markup payable</b>			
Interest / mark up payable on:			
Long term financing		-	536,597,965
Liabilities against assets subject to finance lease		-	7,408,911
Short term bank borrowings		-	681,291,000
		-	1,225,297,876
<b>12.1 markup write back ref note no. 37.5</b>			
<b>13. Short term bank borrowings</b>			
Secured			
Under mark up arrangements			
Export finances	13.2	3,668,552,114	3,668,552,114
Finance against trust receipts	13.2	18,301,847	18,304,000
Running finance	13.2	437,588,483	437,588,483
Murabaha finances	13.3	220,550,000	220,550,000
		4,344,992,444	4,344,994,597

**13.1** The aggregate unavailed short term borrowing facilities available to the Company are nil (2018: Rs. nil million). Total sanctioned limits are Rs. 5.17 billion (2018: Rs. 5.17 billion) out of which limits of Rs. 5.17 billion (2018: Rs. 5.17 billion) are expired and renewable.

**13.2** These are secured against first charge over current assets of the Company , lien on import / export documents and second charge over current and fixed assets of the Company. These are further secured by personal guarantee of directors of the Company and mortgage of property and corporate guarantee. Certain export and running finances are further secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and Murabaha finances (Refer Note 13.3). Export finances of Rs. 374.13 million (2018: Rs. 374.13 million) are also secured against equitable mortgage / deposit of title deeds of personal properties of directors and an associate. Un-expired loans were subject to mark up at the rate of one month KIBOR plus 0.5% per annum and three months KIBOR plus 0.5% per annum during previous year. Mark up charged on these loans during the year ranges from nil to 10.28% per annum (2018: 6.68% to 10.28% per annum).

**13.3** These are secured against first charge over fixed assets of the Company ranking pari passu with the charges created in respect of long term financing (Refer Note 8.1) and export and running finances (Refer Note 13.2). These are further secured by personal guarantee of directors of the Company. Un-expired loans were subject to mark up at the rate of six months KIBOR plus 1% per annum and KIBOR plus 2% per annum during previous year. Mark up charged on these loans during the year ranges from nil per annum (2018: 7.04% to 9.07% per annum).

**13.4** Terms and conditions of all above loans have been extracted from old facility letters / settlement agreements as updated documentation is not available due to pending disputes with the banks

#### 14. CONTINGENCIES AND COMMITMENTS

##### Contingencies

	2019 Rupees	2018 Rupees
In respect of bank guarantees issued on behalf of the Company Sui Northern Gas Pipelines Limited for supply of gas	-	26,131,300
Demand of wealth tax not acknowledged in view of pending appeals	1,016,400	1,016,400
Demands of Employees' Old Age Benefits Institution and Punjab Employees' Social Security Institution are not acknowledged in view of pending litigation	20,514,408	37,018,122
Liability of Gas Infrastructure development cess not acknowledged in view of pending petitions	23,383,079	19,019,198
Cases are pending before Foreign Exchange adjudication officer, State Bank of Pakistan for non repatriation of export proceeds within prescribed times. The default may attract penalties. The financial impact cannot be determined at this stage	-	-
According to Scheme of arrangement initial mark up shall be waived off by and payable. short term finances with claim of cost of funds. The claim has the Principal Debt of tier1 Debt and tier 2 Mark-Up are made timely in accordance with the repayment Schedule. However, in case of any default in timely payments the full amount of such waived amounts shall stand due	2,038,671,734	-
Dividend for cumulative preference shares will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.	365,409,821	342,360,000
Certain lenders have filed cases for recovery of long term and short term finances with claim of cost of funds. The claim has of liquidated damages not acknowledged due to pending litigation.	89,868,889	-

##### **Writ Petition No. 13381/2016 (Income Tax)**

The writ petition was filed against selection of cases for audit for Tax year 2011. It is not possible to determine the tax liability as the department has been restrained from initiating proceedings under section 122 by Honorable Lahore High Court, Lahore vide order dated 25 April 2016 read with order dated 07 September 2017.

##### **Appeal before Tribunal for assessment years 1997-98 to 2002-2003 and Tax years 2003 to 2005. (Income Tax)**

All these appeals have been decided by the Honorable Tribunal in favor of the taxpayer vide order dated 28 April 2017. As per available record the reference application filed by the department are pending before the Honorable Lahore High Court, Lahore. The correct amount of revenue involved cannot be determined at this stage.

##### **Appeal filed before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore for Tax year 2010 (Income Tax)**

The department has filed miscellaneous applications before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against its order dated 11 July 2013. The matter involved was stayed against recovery of Income Tax demand of Rs. 4,369,683/- through adjustment of refund. No amount of revenue is involved.

##### **STA No.323/LB/2012 (Sales Tax)**

This appeal has been filed by the department before the Honorable Appellate Tribunal Inland Revenue, Lahore Bench, Lahore against the order of CIR (A), Regional Tax Office, Faisalabad dated 23 December 2011 in appeal No. 368/2011. Tax amount of Rs. 7,318,105/- is involved in appeal. The appeal has not been decided so far.

##### **Custom appeal NO.6/2004 (Customs)**

This appeal has been filed by the department before the Honorable Lahore High Court, Lahore against the order of Customs, Excise and Sales Tax Appellate Tribunal Lahore dated 2 December 2013 in Customs Appeal No. 754/LB/2003. Following amounts are involved in appeal:

Custom Duty	2,594,882
Sale Tax	1,946,161
Penalty	25,000
<b>Total</b>	<b>4,566,043</b>

Power of attorney was filed on 5 May 2004. As per available record the appeal is pending before the Honorable Lahore High Court, Lahore

##### **Conversion of Preference Shares**

An investor filed application u/s 474 of the Companies Ordinance, 1984 before SECP for conversion of Preference Shares into Ordinary Shares as per conversion formula and the case is pending before Honorable Lahore High Court Lahore. The matter of conversion of Ordinary Shares against second default shall be taken in hand after the resolution the matter in the court.

##### **Commitments**

There was no commitments as on 30 June 2019 (2018: Nil)

15. Property, plant and equipment

Operating assets

	Freehold land	Building on freehold land	Plant and machinery	Electric installations	Generators	Company owned					Under lease					Total
						Factory equipment	Furniture and fixture	Office equipment	Vehicles	Sign boards	Sub total	Building	Plant and machinery	Generators	Sub total	
-----Rupees-----																
<b>At July 01, 2017</b>																
Cost / revaluation	2,731,860,000	1,719,007,480	6,258,904,811	261,874,000	365,599,000	76,475,185	39,108,524	84,178,308	35,200,143	525,248	11,572,732,699	7,405,200	203,768,114	65,966,667	277,139,981	11,849,872,680
Accumulated depreciation	-	(134,770,186)	(195,439,586)	(20,949,920)	(35,645,903)	(58,590,750)	(27,587,475)	(64,275,080)	(28,124,191)	(477,787)	(565,860,878)	(2,187,169)	(62,282,403)	(33,844,900)	(98,314,472)	(664,175,350)
Net book value	2,731,860,000	1,584,237,294	6,063,465,225	240,924,080	329,953,097	17,884,435	11,521,049	19,903,228	7,075,952	47,461	11,006,871,821	5,218,031	141,485,711	32,121,767	178,825,509	11,185,697,330
<b>Year ended June 30, 2018</b>																
Opening net book value	2,731,860,000	1,584,237,294	6,063,465,225	240,924,080	329,953,097	17,884,435	11,521,049	19,903,228	7,075,952	47,461	11,006,871,821	5,218,031	141,485,711	32,121,767	178,825,509	11,185,697,330
Additions	-	-	2,542,410	3,099,598	-	-	-	6,448	804,900	-	6,453,356	-	-	-	-	6,453,356
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	(3,560,568)	-	(3,560,568)	-	-	-	-	(3,560,568)
Accumulated depreciation	-	-	-	-	-	-	-	-	3,366,171	-	3,366,171	-	-	-	-	3,366,171
	-	-	-	-	-	-	-	-	(194,397)	-	(194,397)	-	-	-	-	(194,397)
Depreciation charge	-	(63,369,492)	(97,720,727)	(10,568,854)	(16,497,655)	(1,788,444)	(1,152,105)	(1,990,968)	(1,449,885)	(4,746)	(194,542,876)	(121,397)	(2,279,273)	(1,606,088)	(4,006,758)	(198,549,634)
Closing net book value	2,731,860,000	1,520,867,802	5,968,286,908	233,454,824	313,455,442	16,095,991	10,368,944	17,918,708	6,236,570	42,715	10,818,587,904	5,096,634	139,206,438	30,515,679	174,818,751	10,993,406,655
<b>At July 01, 2018</b>																
Cost / revaluation	2,731,860,000	1,719,007,480	6,261,447,221	264,973,598	365,599,000	76,475,185	39,108,524	84,184,756	32,444,475	525,248	11,575,625,487	7,405,200	203,768,114	65,966,667	277,139,981	11,852,765,468
Accumulated depreciation	-	(198,139,678)	(293,160,313)	(31,518,774)	(52,143,558)	(60,379,194)	(28,739,580)	(66,266,048)	(26,207,905)	(482,533)	(757,037,583)	(2,308,566)	(64,561,676)	(35,450,988)	(102,321,230)	(859,358,813)
Net book value	2,731,860,000	1,520,867,802	5,968,286,908	233,454,824	313,455,442	16,095,991	10,368,944	17,918,708	6,236,570	42,715	10,818,587,904	5,096,634	139,206,438	30,515,679	174,818,751	10,993,406,655
<b>Year ended June 30, 2018</b>																
Opening net book value	2,731,860,000	1,520,867,802	5,968,286,908	233,454,824	313,455,442	16,095,991	10,368,944	17,918,708	6,236,570	42,715	10,818,587,904	5,096,634	139,206,438	30,515,679	174,818,751	10,993,406,655
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	(19,366,386)	-	(19,366,386)	-	-	-	-	(19,366,386)
Accumulated depreciation	-	-	-	-	-	-	-	-	15,094,623	-	15,094,623	-	-	-	-	15,094,623
	-	-	-	-	-	-	-	-	(4,271,763)	-	(4,271,763)	-	-	-	-	(4,271,763)
Depreciation charge	-	(60,834,712)	(5,329,626)	(10,596,944)	(15,672,772)	(1,609,599)	(1,036,894)	(1,791,871)	(392,961)	(4,272)	(97,271,651)	(121,397)	(124,310)	(1,525,784)	(1,771,491)	(99,043,142)
Closing net book value	2,731,860,000	1,460,033,090	5,962,957,282	222,855,880	297,782,670	14,486,392	9,332,050	16,126,837	1,571,846	38,443	10,717,044,490	4,975,237	139,082,128	28,989,895	173,047,260	10,890,091,750
<b>At June 30, 2019</b>																
Cost / revaluation	2,731,860,000	1,719,007,480	6,261,447,221	264,973,598	365,599,000	76,475,185	39,108,524	84,184,756	13,078,089	525,248	11,556,259,101	7,405,200	203,768,114	65,966,667	277,139,981	11,833,399,082
Accumulated depreciation	-	(258,974,390)	(298,489,939)	(42,117,718)	(67,816,330)	(61,988,793)	(29,776,474)	(68,057,919)	(11,506,243)	(486,805)	(839,214,611)	(2,429,963)	(64,685,986)	(36,976,772)	(104,092,721)	(943,307,332)
Net book value	2,731,860,000	1,460,033,090	5,962,957,282	222,855,880	297,782,670	14,486,392	9,332,050	16,126,837	1,571,846	38,443	10,717,044,490	4,975,237	139,082,128	28,989,895	173,047,260	10,890,091,750
Annual rate of depreciation (%)	4	-	-	-	5	10	10	10	20	10	-	-	-	-	5	-
<b>15.1 Depreciation for the year</b>																
has been allocated as under:																
Cost of goods manufactured	26.1		95,817,144	193,951,930										65,966,667	277,139,981	11,833,399,082
Administrative expenses	28		3,225,098	4,597,704										(36,976,772)	(104,092,721)	(943,307,332)
			99,043,142	198,549,634										28,989,895	173,047,260	10,890,091,750

During the year the management has changed estimate of depreciation of Plant and Machinery. Revision has been accounted for as change in Accounting estimate in accordance with IAS-8, Accounting policies, changes in Accounting estimate and Error. Had there been no change in Accounting estimate for Depreciation the loss for the year would have been reduced by Rs.94,546,064/=

**15.2** Had there been no revaluation, related figures of freehold land, building on freehold land, plant and machinery, electric installations and generators as at June 30, 2018 and 2017 would have been as follows:

<b>2019</b>			
<b>Description</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Written down value</b>
----- Rupees -----			
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	1,018,264,834	1,094,860,465
Plant and machinery	5,626,624,731	2,148,844,376	3,477,780,355
Electric installations	304,777,663	178,920,059	125,857,604
Generators	245,077,888	162,553,232	82,524,656
	<u>8,378,320,219</u>	<u>3,508,582,501</u>	<u>4,869,737,718</u>

<b>2018</b>			
<b>Description</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Written down value</b>
----- Rupees -----			
Freehold land	88,714,638	-	88,714,638
Building on freehold land	2,113,125,299	972,645,648	1,140,479,651
Plant and machinery	5,629,167,141	2,051,123,649	3,578,043,492
Electric installations	307,877,261	166,822,846	141,054,415
Generators	245,077,888	158,209,829	86,868,059
	<u>8,383,962,227</u>	<u>3,348,801,972</u>	<u>5,035,160,255</u>

**15.3 Particulars of immovable property (ie. Land and building) in the name of parent company are as follows:-**

	<b>Location</b>	<b>Usage of Immovable property</b>	<b>Area of Land</b>
1	3 K.M Shorkot Road, Toba Tek Singh	Spinning unite & Colony	157 Kanal 04 Marlas
2	11 K.M Main Faisalabad Lahore Road, Kharianwala, Sheikhpura	Weaving Unite	115 Kanal 4 Marlas
3	7 K.M Main Faisalabad Lahore Road, Kotla Kalo Shahkot, Nankana Sahib	Weaving Unite	197 Kanal 16 Marlas
4	Main Faisalabad Lahore Road, Nishatabad, Faisalabad	Processing unite & Head office	211.054 Kanal
5	Jumra road Gatti Faisalabad	Stitching Hall	16 Kanal 13 Marlas
6	Main Lahore Road, Khurrianwala, Faisalabad	Stitching Hall	331 Kanal 15 Marlas
7	27 Y Madina town, Faisalabad	Residence	1 Kanal 55Sft.
8	40-W Mian Susan Road Faisal	Residence	1 Kanal 55Sft.
9	42-W Mian Susan Road Faisal	Residence	1 Kanal 55Sft.
10	44-W Mian Susan Road Faisal	Residence	1 Kanal 55Sft.
11	14-15 Clifton Karachi	Office	4414 Sq.Ft

#### 15.4 Disposal of Property and equipment

Description	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain/(Loss)	Particulars of buyers
Vehicles (Sold by negotiation)	2,532,694	1,403,450	1,129,244	1,250,000	120,756	FMT Garments, 11.5 km Sheikhupura Road, Manawala.
	2,320,500	1,322,169	998,331	1,200,000	201,669	Mr. Sakhawat Ali, House No. 10, Main Bazar, Nishatabad, Faisalabad.
	1,375,430	1,306,116	69,314	400,000	330,686	Mr. Abdul Rasheed, H. No. P-60, Street No. 3, Iqbal Nagar, Jhang Road, Toba Tek Singh.
	1,162,130	1,124,649	37,481	400,000	362,519	Mr. Abdul Rasheed, H. No. P-60, Street No. 3, Iqbal Nagar, Jhang Road, Toba Tek Singh.
	6,225,952	5,912,200	313,752	1,800,000	1,486,248	Chenab Board, Street No. 1, Main Bazar, Nishatabad, Faisalabad.
	1,500,000	649,333	850,667	1,100,000	249,333	Mr. Liaquat Ali, H. No. P-11404, Street No. 10, Main Bazar, Nishatabad, Faisalabad.
	1,300,000	562,756	737,244	950,000	212,756	Mr. Muhammad Zahid Manzoor, H. No. 117-D, Sabza Zar Scheme, Lahore.
	1,449,680	1,352,653	97,027	500,000	402,973	Mr. Muhammad Arif Ali, H. No. 341, Street No. 426, Sector G-11/3, Islamabad.
	1,500,000	1,461,297	38,703	500,000	461,297	Mian Umer Ashfaq, H. No. 136, Iqbal Nagar, Jhang Road, Toba Tek Singh.
<b>2019</b>	<b>19,366,386</b>	<b>15,094,623</b>	<b>4,271,763</b>	<b>8,100,000</b>	<b>3,828,237</b>	
<b>2018</b>	<b>3,560,568</b>	<b>3,366,171</b>	<b>194,397</b>	<b>350,000</b>	<b>155,603</b>	



	Note	2019 Rupees	2018 Rupees
<b>16. Long term deposits</b>			
Lease key money		1,679,435	1,679,435
Security deposits		12,636,768	12,636,768
		14,316,203	14,316,203
Less: Current portion - Lease key money		1,679,435	1,679,435
		12,636,768	12,636,768
<b>17. Stores, spares and loose tools</b>			
Stores		21,606,856	27,700,410
Spares		7,137,097	8,490,388
Loose tools		-	-
		28,743,953	36,190,798
<b>18. Stock in trade</b>			
Raw material		-	1,130,424
Work in process		-	17,319,498
Finished goods		200,180	11,238,383
Waste		29,820	106,674
		230,000	29,794,979
Stock in trade at net realizable value is Nil (2018: Nil).			
<b>19. Trade debts</b>			
Considered good			
Secured			
Foreign		-	7,485,243
Unsecured			
Foreign		-	1,691,735,048
Local		41,691,634	28,989,640
		41,691,634	1,720,724,688
		41,691,634	1,728,209,931
<b>20. Loans and advances</b>			
Considered good			
Loans to employees			
Executives		-	-
Others		637,537	762,237
Advances			
Suppliers / contractors		21,148,089	20,904,201
Income tax		-	-
		21,785,626	21,666,438
<b>21. Deposits and prepayments</b>			
Deposits			
Security deposits		1,292,858	1,292,858
Current portion of long term deposits	16	1,679,435	1,679,435
Guarantee / export margin		7,686,327	7,686,327
Prepayments		-	173,613
		10,658,620	10,832,233
<b>22. Other receivables</b>			
Export rebate / duty drawback		16,099,397	14,752,696
Excise duty		2,448,852	2,448,852
Other		1,225,739	937,838
		19,773,988	18,139,386
<b>23. Tax refunds due from Government</b>			
Sales tax		17,768,868	14,859,454
Income tax		26,716,519	44,316,089
		44,485,387	59,175,543
<b>24. Cash and bank balances</b>			
Cash in hand		-	1,179,881
Cash at banks			
In current accounts		17,565,397	17,610,159
		17,565,397	18,790,040

	Note	2019 Rupees	2018 Rupees
<b>25. Sales</b>			
Export			
Fabrics / made ups / garments	25.1	88,069,597	384,588,574
Add: Export rebate / duty drawback		3,269,566	4,255,954
		91,339,163	388,844,528
Less:			
Commission		453,503	3,821,804
Discount		-	-
		453,503	3,821,804
		90,885,660	385,022,724
Local			
Yarn		-	1,670,000
Fabrics / made ups		2,142,548	180,419,887
Processing, conversion and stitching charges		267,841,435	348,797,052
		269,983,983	530,886,939
		360,869,643	915,909,663

**25.1** It includes exchange gain of Rs.203,949/- (2018: Rs. 24,760,660/-).

**25.2** An amount of Rs. 64,7050,3767/- was converted to sale from opening balances of advances from customers

		2019 Rupees	2018 Rupees
<b>26. Cost of sales</b>			
Cost of goods manufactured	26.1	419,713,340	1,074,146,241
Finished goods			
Opening stock		11,345,057	18,213,332
Closing stock		(230,000)	(11,345,057)
		11,115,057	6,868,275
Cost of sales		430,828,397	1,081,014,516
<b>26.1 Cost of goods manufactured</b>			
Raw material consumed	26.1.1	160,248,909	440,913,559
Salaries, wages and benefits		72,672,112	175,172,103
Staff retirement benefits		3,279,822	27,878,908
Stores and spares		19,114,464	72,292,538
Dyes and chemicals		18,346,097	37,250,023
Packing material		5,894,611	29,265,117
Repairs and maintenance		296,173	1,399,709
Fuel and power		13,160,438	28,510,839
Depreciation	15.1	95,817,144	193,951,930
Other		13,564,072	78,368,432
		402,393,842	1,085,003,152
Work in process			
Opening stock		17,319,498	6,462,587
Closing stock		-	(17,319,498)
		17,319,498	(10,856,911)
		419,713,340	1,074,146,241
<b>26.1.1 Raw material consumed</b>			
Opening stock		1,130,424	8,099,205
Purchases including purchase expenses		159,118,485	433,944,778
		160,248,909	442,043,983
Closing stock		-	(1,130,424)
		160,248,909	440,913,559

	Note	2019 Rupees	2018 Rupees
<b>27. Selling and distribution expenses</b>			
Advertisement and publicity		30,808	54,998
Carriage and freight		4,363,831	13,805,833
Export clearing and forwarding		839,350	5,371,304
Export development surcharge		210,471	914,617
Other		1,474,384	2,982,557
		<u>6,918,844</u>	<u>23,129,309</u>
<b>28. Administrative expenses</b>			
Directors' remuneration		-	-
Salaries and benefits		42,306,644	62,456,549
Staff retirement benefits		11,628,461	9,461,316
Utility Expenses		347,528	655,177
Postage, telephone and telex		1,054,189	2,346,732
Vehicles running and maintenance		3,846,097	6,366,623
Travelling and conveyance		1,541,233	4,793,527
Printing and stationery		247,212	954,674
Entertainment		1,625,130	3,807,385
Fees and subscriptions		5,592,263	6,995,478
Legal and professional		2,004,400	9,700,500
Rent, rates and taxes		1,583,248	1,145,399
Auditors' remuneration	28.1	690,000	690,000
Repairs and maintenance		109,794	296,320
Depreciation	15.1	3,225,998	4,597,704
Insurance		211,498	1,060,863
Other		2,148,221	48,095
		<u>78,161,916</u>	<u>115,376,342</u>
<b>28.1 Auditors' remuneration</b>			
Audit fee		630,000	630,000
Half yearly review		-	-
Out of pocket expenses		60,000	60,000
		<u>690,000</u>	<u>690,000</u>
<b>29. Other income</b>			
Income from assets other than financial assets:			
Sale of waste material		85,878	967,447
Rental income		63,290,291	36,174,635
Gain on disposal of operating assets		3,828,237	155,603
Balances written back - net		342,602,028	14,462,161
		<u>409,806,434</u>	<u>51,759,846</u>
<b>30. Finance cost</b>			
Interest / mark up on:			
Long term financing	30.1	-	-
Liabilities against assets subject to finance lease		-	-
Short term bank borrowings	30.1	-	4,759,394
Bank charges and commission		109,141,458	4,457,684
		<u>109,141,458</u>	<u>9,217,078</u>
<b>30.1</b> Refer note 37.5			
<b>31. Provision for taxation</b>			
Current			
For the year		15,952,862	20,791,224
For prior years		(11,691,954)	-
Deferred	31.1	-	-
		<u>4,260,908</u>	<u>20,791,224</u>

**31.1** Deferred tax on surplus on revaluation of assets has been provided to the extent of net deferred tax liability after adjustment of deductible temporary differences.

### 31.2 The relationship between tax expense and accounting loss

The relationship between tax expense and accounting loss has not been presented in these financial statements as the income from local sales is not subject to tax due to tax losses, income from export sales and related services is subject to final tax under section 153 , 54 and 169 of the Income Tax Ordinance, 2001 and rental income is separately subject to tax under normal tax regime .

		2019	2018
<b>32. Profit /loss per share- Basic and diluted</b>			
Profit / loss for the year	Rupees	141,364,554	(281,858,960)
Weighted average number of ordinary shares outstanding during the year	Numbers	115,000,000	115,000,000
Earnings per share- Basic and diluted	Rupees	1.23	(2.45)

**32.1** There is no dilutive effect on the basic earning per share of the Company.

### 33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
	Rupees					
Remuneration	-	-	1,430,999	-	-	4,428,998
House rent allowance	-	-	429,300	-	-	1,328,699
Medical allowance	-	-	143,100	-	-	442,900
Utility allowance	-	-	143,100	-	-	442,900
	-	-	2,146,499	-	-	6,643,497
Number of persons	-	-	1			3

### 34. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertaking, directors and key management personnel. Amounts due to and due from related parties are shown under relevant notes to the financial statements. Remuneration to Chief Executive Officer, Directors and Executives is disclosed in Note 33. There is no other significant transaction with related parties.

### 35. INSTALLED CAPACITY AND ACTUAL PRODUCTION

Textile Product	Unit	Rated capacity per annum		Actual production per annum	
		2019	2018	2019	2018
Fabrics	Mtrs	9,000,000	9,000,000	4,579,110	642,250
Made ups	Mtrs	59,000,000	59,000,000	1,255,412	425,211
Garments	Mtrs	3,500,000	3,500,000	212,310	395,525

#### Reasons for shortfall

- Closure due to load management by suppliers of gas and electricity.
- Financial problems being faced by the Company.
- It is difficult to describe precisely the production capacity of textile products being manufactured since it fluctuates widely depending upon various factors such as simple / multi-function articles, small and large size articles, special articles and the pattern of articles adopted.

**36. NUMBER OF EMPLOYEES**

Total number of employees as at June 30,  
Total number of factory employees as at June 30,  
Average number of employees for the year  
Average number of factory employees for the year

	2019	2018
	-----Numbers-----	
	47	1270
	0	1042
	925	1,295
	875	1517

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

**37.1 FINANCIAL INSTRUMENTS BY CATEGORY****Financial assets:**

Loans and receivables at amortised cost  
Trade debts  
Loans and advances  
Deposits  
Other receivables  
Cash and bank balances

	2019 Rupees	2018 Rupees
	41,691,634	1,728,209,931
	637,537	762,237
	8,979,185	10,832,233
	1,225,739	937,838
	17,565,397	18,790,040
	<u>70,099,491</u>	<u>1,759,532,279</u>

**Financial liabilities:**

Financial liabilities at amortised cost  
Long term financing  
Liabilities against assets  
subject to finance lease  
Trade and other payables  
Interest / markup payable  
Short term bank borrowings

	5,399,006,105	5,400,506,105
	28,702,544	28,702,544
	1,270,268,666	1,181,918,789
	-	1,225,297,876
	4,344,992,444	4,344,994,597
	<u>11,042,969,759</u>	<u>12,181,419,911</u>

**37.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below:

**37.2.1 Credit risk and concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company is exposed to concentration of credit risk towards the major customers M/S Chenone Stores Limited. The trade debts receivable from these customers constitute 38.90% (2018: 72.75%) of the total receivables. The maximum exposure to credit risk at the reporting date is as follows:

Trade debts  
Loans and advances  
Deposits  
Other receivables  
Bank balances

	2019 Rupees	2018 Rupees
	41,691,634	1,728,209,931
	637,537	762,237
	8,979,185	10,832,233
	1,225,739	-
	17,565,397	17,610,159
	<u>70,099,491</u>	<u>1,757,414,560</u>

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

For trade debts, credit quality of the customer is assessed, taking into consideration its financial position and previous dealings. Individual credit limits are set. The management regularly monitor and review customers credit exposure. The majority of customers of the Company are situated in Pakistan.

Alam B.V Raaigars Holland  
C.G.I Limited U.A.E  
Chenone Stores Limited  
Other customers

	2019 Rupees	2018 Rupees
	-	428,190,433
	-	807,215,615
	15,880,000	1,380,000
	25,811,634	491,423,883
	<u>41,691,634</u>	<u>1,728,209,931</u>

The aging of trade debts as at balance sheet date is as under:

	2019 Rupees	2018 Rupees
Not past due	13,808,360	12,827,714
Past due within one year	2,077,760	7,348,538
Past due over one year	25,805,514	1,708,033,679
	27,883,274	1,715,382,217
	41,691,634	1,728,209,931

The management is taking measures for the recovery of past due trade debts and continuously pursuing the recovery through negotiations with the customers. The company has initiated the legal proceedings for recovery against some customers. Considering these factors and the fact that legal recourse for recovery of past due debts is available to the Company, the Company believes that past due trade debts do not require recognition of any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with local banks having good credit rating from local credit rating agencies.

### 37.2.3 Market risk

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

#### i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Majority of interest rate risk arises from long term and short term borrowings from banks. The Company is not providing markup on long term and short term borrowings as referred in Note 30.1. The interest rate profile of the Company's other interest bearing financial instruments is presented in relevant notes to the financial statements.

#### Sensitivity analysis

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not effect profit and loss account.

#### Cash flow sensitivity analysis for variable rate instruments

Had interest rate been increased / decreased by 1% at the reporting date with all other variables held constant, loss for the year and negative equity would have been higher / lower by Rs. 26.990 million (2018: Rs. 97.742 million). The impact of variation in interest rate has been considered only of borrowings in respect of which mark up has been provided in these financial statements.

#### ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign debtors and bills payable. The total foreign currency risk exposure on reporting date amounted to Rs.0.000/- million (2018: Rs. 1,699.220 million).

At June 30, 2019, if the currency had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, loss for the year and negative equity would have been lower / higher by Rs 80.95 million (2018: Rs. 84.961 million)

#### iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

### 37.3 Fair values of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

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.

### 37.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Debt is calculated as total external borrowings ('long term financing', 'liabilities against assets subject to finance lease' and 'short term borrowings' as shown in the balance sheet). Equity comprises of shareholders' equity as shown in the balance sheet under 'share capital and reserves' and subordinated long term finance from directors.

### 37.5 Overdue loans and mark up

The mark-up on the Tier 1 Debt shall be 5% per annum and shall start accruing from the Effective Date.

The mark-up on Tier 2 Debt shall be 3% per annum. The Initial Tier 2 Debt Mark-Up shall start accruing from the Effective Date and such accrual shall end on the earlier of (i) the date on which the Tier 1 Debt is repaid, and (ii) the date by which the Tier 1 Debt is required to be repaid.

Thereafter, the mark-up on Tier 2 Debt shall accrue at 5% per annum.

The Lenders shall have the sole discretion to revise the quantum and applicability of the Tier 1 Debt Mark-Up, the Initial Tier 2 Debt Mark-Up, and the Subsequent Tier 2 Debt Mark-Up.

The Past Mark-up upto the Effective Date shall be calculated by aggregating:

- (a) Mark-up accrued but not paid under each Lenders' financing agreements as per the rate of mark-up under such financing agreement until the date of default; and,
- (b) (from the date of default under each financing agreement up to the Effective Date) mark-up equal to the cost of funds on the outstanding principal amount under each financing agreement at the rate of the cost of funds of the relevant Lender for each financing agreement.

### 38. Defaulting parties

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company. As such there is no defaulting parties.

### 39. IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS

A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is no additional uncertainty other than those disclosed at note 1.3 and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.

### 40. LIQUIDATOR'S RECEIPT AND PAYMENTS STATEMENT

The liquidation of the Company was notified on 13 July 2017 by the Honorable Lahore Court Lahore on an application filed by one of the creditors owing to the breach of debt covenants. The management filed an appeal before Supreme Court of Pakistan against this order and leave of appeal was not granted and dismissed on 08 January 2019. The liquidator's statement of Receipt and Payment account from 08 January 2019 to 30 June 2019 is given herein:

#### Liquidator's Statement of Account for the period from January 8, 2019 to June 30, 2019 under Official liquidation

1-Name of the company:	Chenab Limited
2-Nature of proceeding:	Under official liquidation
3-Date of commencement of the winding up:	20-June-17 (Appointment of Join Official Liquidators 08-Jan-19 (Appeal refused and Petition dismissed)
4-Name:	Mr. Ahsan Jalal and Mr. Aurangzeb Mirza
5-Address:	119-120 Chauburji Park, Lahore.



Statement showing receipts and payments during the period from January 8, 2019 (date of commencement of winding up) to June 30, 2019 (close of first year).

	2019 Rupees
<b>RECEIPTS</b>	
Rent income	21,220,391
Transfer from banks	13,390,557
Receipt from ZMS	125,000
	<b>34,735,948</b>
<b>PAYMENTS</b>	
Salaries and allowances	10,971,496
Liquidators remuneration	6,048,000
Security expenses	2,012,200
Legal and Professional expenses	755,400
Auditors remuneration	440,000
PESSI expenses	235,634
Tax withheld and deposited	208,131
EOBI expenses	151,680
Travelling expenses	52,480
Bank charges	18,647
Withholding taxes	8,520
<b>Surplus for the period</b>	<b>20,902,188</b>
Opening balance*	<b>13,833,760</b>
Closing balance	<b>1,073,556</b>
	<b>14,907,316</b>

\*This amount has been accumulated in the official liquidator's bank account from February 26, 2018 to January 7, 2019 and used for payment of below mentioned expenses.

	2019 Rupees
<b>RECEIPTS</b>	
Transfer from banks	1,139,215
<b>PAYMENTS</b>	
Advertisement expenses	64,800
Cheque book issuance charges	600
Withholding taxes	259
	<b>65,659</b>
	<b>1,073,556</b>

**41. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

There is no any event after the statement of financial position date causing any adjustment to / disclosure in financial statements.

**42. DATE OF AUTHORISATION FOR ISSUE**

The financial statements were authorised for issue on **January 03, 2023** by the Board of Directors of the Company.

**43. DIVIDEND FOR CUMULATIVE PREFERENCE SHARES**

The dividend for cumulative preference shares amounting to Rs. 365.409 million (2018: 342.359 million) will be accumulated and payable in the ensuing years when the sufficient amount of profit will be available for appropriation.

**44. RECLASSIFICATION:**

**44.1** Following reclassification /rearrangements have been made in financial statements for incorporate changes as per revised Fourth Schedule to the Companies Act, 2017

Previous classification	Current classification	Rupees
Loans and advances	Tax refunds due from Govt	
Income Tax	Income Tax	30,008,710
Other income	Administrative expenses	
Balances written back - net	Other expenses	14,462,161

**44.2** Nomenclature of following accounts have been changed:-

Previous classification	Current classification
Administrative expenses	Administrative expenses
Electricity	Utility Expenses

**45. GENERAL**

Figures have been rounded off to the nearest Rupee except where mentioned otherwise



(MUHAMMAD FAISAL LATIF)  
(DIRECTOR)



(MUHAMMAD NAEEM)  
CHIEF EXECUTIVE OFFICER

# Form 34

## Pattern of Holding of Ordinary Shares

Held by Shares Holders as at June 30, 2019

Share Holders	From	To	Total Shares
98	1	100	3,979
486	101	500	230,114
282	501	1,000	279,105
537	1,001	5,000	1,715,250
231	5,001	10,000	1,941,093
85	10,001	15,000	1,107,047
62	15,001	20,000	1,158,500
59	20,001	25,000	1,420,001
26	25,001	30,000	740,500
15	30,001	35,000	501,000
20	35,001	40,000	769,148
12	40,001	45,000	512,506
23	45,001	50,000	1,136,723
4	50,001	55,000	216,500
9	55,001	60,000	527,004
2	60,001	65,000	129,500
5	65,001	70,000	347,500
3	70,001	75,000	221,500
2	75,001	80,000	157,000
8	80,001	90,000	683,500
14	90,001	100,000	1,390,500
2	100,001	110,000	215,000
4	110,001	125,000	479,500
5	125,001	140,000	648,500
1	140,001	150,000	143,500
1	150,001	170,000	170,000
7	175,001	200,000	1,335,000
4	200,001	250,000	881,500
4	255,001	300,000	1,185,000
4	300,001	400,000	1,419,636
3	400,001	500,000	1,357,500
2	500,001	600,000	1,114,500
3	600,001	800,000	2,103,500
3	850,001	1,000,000	2,748,500
1	1,000,001	1,100,000	1,041,500
1	1,250,001	1,300,000	1,270,500
1	2,500,001	3,000,000	2,813,545
1	3,500,001	3,550,000	3,502,834
1	3,605,001	3,650,000	3,608,218
1	6,000,001	6,200,000	6,138,587
1	7,000,001	7,500,000	7,459,184
1	8,000,001	8,500,000	8,416,948
1	14,500,001	15,000,000	14,876,483
1	16,500,001	17,000,000	16,681,483
1	20,000,001	20,500,000	20,201,112
<b>2037</b>			<b>115,000,000</b>

Note: The Slabs not applicable, have not been shown.

## ***Categories of Shareholders***

<b>Categories of Shareholders</b>		<b>Number</b>	<b>Share held</b>	<b>Percentage</b>
<b>Directors, Chief Executive and their spouse, children</b>				
Mian Muhammad Latif	Chief Executive Officer	1	16,681,483	14.51
Mian Muhammad Javaid Iqbal	Director	1	14,876,483	12.94
Mr.Muhammad Naeem	Director	1	20,201,112	17.57
Mr.Muhammad Faisal Latif	Director	1	2,813,545	2.45
Mr.Muhammad Farhan Latif	Director	1	8,416,948	7.32
Mr.Muhammad Zeeshan Latif	Director	1	6,138,587	5.34
Mr. Tariq Ayub Khan	Independent Director	1	1,000	0.00
Mst.Shahnaz Latif	Spouse	1	7,459,184	6.49
Mst.Tehmina Yasmin	Spouse	1	285	0.00
Mst.Prveen Akthar	Spouse	1	338	0.00
Mr. Umair Javaid	Son	1	1,519	0.00
<b>Financial Institutions,Insurance Companies,Investment Companies, Joint Stock Companies ,Leasing Companies,Mutual Fund, Textile &amp; etc.</b>				
Investment Companies		1	25,000	0.02
Joint Stock Companies		8	110,895	0.10
Manufacturing & Trading		1	8,000	0.01
Provident Fund		1	10,000	0.01
Textile		1	56	0.00
Individuals		2014	38,255,565	33.27
		<b>2037</b>	<b>115,000,000</b>	<b>100.00</b>

# Form 34

## Pattern of Holding of Preference Shares

Held by Shares Holders as at June 30, 2019

ShareHolders	From	To	Total Shares
38	1	100	1,039
628	101	500	310,755
121	501	1,000	119,024
318	1,001	5,000	991,835
154	5,001	10,000	1,281,200
80	10,001	15,000	1,053,000
48	15,001	20,000	870,502
37	20,001	25,000	869,082
37	25,001	30,000	1,046,000
15	30,001	35,000	504,350
13	35,001	40,000	491,192
7	40,001	45,000	303,000
22	45,001	50,000	1,080,000
10	50,001	55,000	522,500
8	55,001	60,000	471,500
5	60,001	65,000	315,500
1	65,001	70,000	70,000
12	70,001	80,000	907,500
6	80,001	90,000	499,500
25	90,001	100,000	2,466,500
25	100,001	150,000	3,028,156
20	150,001	200,000	3,611,500
8	200,001	250,000	1,811,214
4	250,001	300,000	1,150,000
5	300,001	400,000	1,715,511
4	400,001	600,000	2,113,000
4	600,001	800,000	2,649,140
1	900,001	1,000,000	1,000,000
1	1,000,001	1,100,000	1,010,000
1	1,300,001	1,400,000	1,367,500
1	1,500,001	1,600,000	1,582,000
1	2,400,001	2,500,000	2,431,000
3	9,995,001	10,000,000	30,000,000
1	12,355,001	12,360,000	12,357,000
<b>1664</b>			<b>80,000,000</b>

Note: The Slabs not applicable, have not been shown.

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Son of Director	1	64,500	0.08
Financial Institutions	5	43,357,000	54.20
Joint Stock Companies	7	1,589,001	1.99
Textile	1	137	0.00
Individuals	1650	34,989,362	43.74
<b>1664</b>		<b>80,000,000</b>	<b>100.00</b>

# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member of Chenab Limited (the "Company") holding \_\_\_\_\_ shares, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ who is also a Member of the Company, as my/our proxy to vote for me/us, and on my/our behalf at the 35<sup>th</sup> Annual General Meeting of the Company to be held on January 26, 2023, and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

Folio No.	CDC Account No.	
	Participant	Account
	I.D.	No.

Revenue  
Stamp Rs.5/-

\_\_\_\_\_  
The Signature should agree with the specimen signature registered with the Company

## WITNESSES:

1.	Signature	_____	2.	Signature	_____
	Name	_____		Name	_____
	NIC	_____		NIC	_____
	Address	_____		Address	_____

## Note:

1. This Proxy, duly completed, signed and witnessed, must be received at the registered office of the Company, Nishatabad, Faisalabad no later than forty-eight (48) Hours before the time appointed for the Meeting.
2. No person shall act as proxy who is not member of the Company (except that a corporation may appoint a person who is not a member).
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been Provide earlier).

If not delivered return to :



Nishatabad, Faisalabad - Pakistan

Tel: +92 41 8754475-76

Fax: +90 41 8752400, 8752700

Email: [chenab@chenabgroup.com](mailto:chenab@chenabgroup.com)

Web: [www.chenabgroup.com](http://www.chenabgroup.com)