CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Rupees in '000	Note	2020	2019
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	7	776,325	776,325
Capital reserves	8	1,091,622	1,083,450
Revenue reserves		5,140,316	5,096,307
		7,008,263	6,956,082
Non-current liabilities			
Long term loans	9	190,335	177,152
Lease liabilities	10	64,820	103,042
Deferred income	11	7,053	6,866
Deferred taxation	22	–	41,591
Deferred liability - staff retirement benefits	46	23,713	100,546
		285,921	429,197
Current liabilities			
Trade and other payables	12	1,115,336	739,050
Unclaimed dividend		26,443	26,525
Mark-up accrued	13	55,112	43,864
Short term borrowings	14	2,702,863	1,638,092
Current portion of long term loans	9	49,345	110,394
Current portion of lease liabilities	10	46,467	51,254
Current portion of deferred income	11	6,215	6,454
		4,001,781	2,615,633
Contingencies and commitments	15		
Total equity and liabilities		11,295,965	10,000,912

Rupees in '000	Note	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,106,683	2,495,044
Right-of-use-assets	16	168,601	-
Intangible assets	17	145,728	143,535
Investment properties	18	51,061	55,290
Investment in equity accounted investees	19	3,087,141	3,266,906
Other long term investments	20	731,439	688,851
Long term deposits	21	224,748	236,312
Deferred taxation	22	291,489	-
		6,806,890	6,885,938
Current assets			
Stores, spares and loose tools	23	169,232	185,784
Stock-in-trade	24	2,130,741	821,369
Trade debts	25	225,799	96,432
Advances	26	54,017	34,477
Trade deposits and short term prepayments	27	66,102	50,292
Investments	28	339,692	404,787
Other receivables	29	207,404	232,673
Taxation - net	30	1,272,340	1,259,540
Cash and bank balances	31	23,748	29,620
		4,489,075	3,114,974
Total assets		11,295,965	10,000,912

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
Sales	32	4,473,010	7,285,295
Less: Sales tax		650,808	431,727
		3,822,202	6,853,568
Cost of sales	33	3,771,306	6,977,733
Gross profit / (loss)		50,896	(124,165)
Income / (loss) from investments - net	34	62,132	(68,035)
		113,028	(192,200)
Distribution and selling expenses	35	13,324	15,888
Administrative expenses	36	249,986	212,340
Other operating expenses	37	25,958	71,187
		289,268	299,415
		(176,240)	(491,615)
Other income	38	35,440	47,996
Operating loss before finance costs		(140,800)	(443,619)
Finance costs	39	315,109	317,819
Share of profit in equity accounted investees			
- net of taxation	40	173,479	396,761
Loss before taxation		(282,430)	(364,677)
Taxation	41	262,563	(54,699)
Loss for the year		(19,867)	(419,376)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Proportionate share of other comprehensive income / (loss)			
of equity accounted investees		8,172	(16,590)
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair			
value through other comprehensive income (FVOCI)		(7,898)	(21,953)
Gain / (loss) on remeasurement of staff retirement			
benefit plans - net of tax		71,774	(258,262)
Other comprehensive income / (loss) for the year		72,048	(296,805)
Total comprehensive income / (loss) for the year		52,181	(716,181)
		(Rupees)	
Basic and diluted loss per share	42	(0.26)	(5.40)

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
Cash flows from operating activities			
Cash (used in) / generated from operations	43	(993,880)	428,242
Taxes paid		(106,022)	(175,296)
Finance costs paid		(286,834)	(280,568)
Contribution to gratuity and pension funds		(22,976)	(23,765)
Contribution to Workers' Profit Participation Fund		(3,633)	(27,191)
Long term deposits - net		13,979	(1,361)
Net cash used in operating activities		(1,399,366)	(79,939)
Cash flows from investing activities			
Capital expenditure		(8,538)	(136,204)
Acquisition of intangible assets		(2,114)	(9,228)
Proceeds from disposal of operating fixed assets		5,313	16,735
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		–	26,292
Investments - net		47,862	262,571
Dividend income received		386,552	241,288
Interest income received		859	1,307
Net cash generated from investing activities		429,934	402,761
Cash flows from financing activities			
Repayment of long term loans - net		(41,454)	(35,744)
Payments against lease liabilities		(59,675)	(60,453)
Repayment of short term loans obtained - net		1,362,292	(771,397)
Dividends paid		(82)	(72,627)
Net cash generated from / (used in) financing activities	43.1	1,261,081	(940,221)
Net increase / (decrease) in cash and cash equivalents		291,649	(617,399)
Cash and cash equivalents at beginning of the year		(877,721)	(260,322)
Cash and cash equivalents at end of the year	44	(586,072)	(877,721)

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Rupees in '000		Capital reserves		Revenue reserves			
	Issued, subscribed and paid-up capital	Share premium	Others*	Fair value reserve	General reserve	Unappropriated profit	Total
Balance as at 30 June 2018	776,325	1,020,908	79,132	58,623	3,642,000	2,172,907	7,749,895
Total comprehensive loss for the year ended 30 June 2019							
Loss for the year	-	-	-	-	-	(419,376)	(419,376)
Other comprehensive income							
Total other comprehensive loss for the year	-	-	(16,590)	(21,953)	-	(258,262)	(296,805)
Total comprehensive loss for the year	-	-	(16,590)	(21,953)	-	(677,638)	(716,181)
Transactions with owners of the Holding Company - distributions							
Dividend:							
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2018	-	-	-	-	-	(77,633)	(77,633)
Balance as at 30 June 2019	776,325	1,020,908	62,542	36,670	3,642,000	1,417,637	6,956,082
Total comprehensive income for the year ended 30 June 2020							
Loss for the year	-	-	-	-	-	(19,867)	(19,867)
Other comprehensive income							
Total other comprehensive income for the year	-	-	8,172	(7,898)	-	71,774	72,048
Total comprehensive income for the year	-	-	8,172	(7,898)	-	51,907	52,181
Balance as at 30 June 2020	776,325	1,020,908	70,714	28,772	3,642,000	1,469,544	7,008,263

* This represents the Group's share of various reserves held by equity accounted investees.

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive | Director | Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1 THE GROUP AND ITS OPERATIONS

1.1 The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and its wholly owned subsidiary companies namely; CS Capital (Private) Limited, CS Energy (Private) Limited, Solution de Energy (Private) Limited, Crescent Hadeed (Private) Limited and Crescent Continental Gas Pipelines Limited. The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the repealed Companies Act, 1913 (now Companies Act, 2017) and is quoted on the Pakistan Stock Exchange. The registered offices of the Holding Company and its subsidiary companies are located at E-floor, IT Tower, 73-E/1, Hali Road, Gulberg-III, Lahore, whereas their principal offices are situated at 9th floor Sidco Avenue Centre 264 R.A. Lines, Karachi. The Holding Company is Shariah compliant.

1.2 The Holding Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad, District Jamshoro, Sindh. The Holding Company has a coating facility capable of applying three layers high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992. The Holding Company's fabrication unit is engaged in fabrication and erection of machinery located at Bhone, District Jhang.

1.3 The Holding Company is running cotton spinning unit at Jaranwala, District Faisalabad. This activity is carried out by the Holding Company under the name and title of "Crescent Cotton Products" a division of Crescent Steel and Allied Products Limited.

1.4 The Holding Company is also managing a portfolio of equity investments and real estate through its Investment and Infrastructure Division from the principal office of the Holding Company.

1.5 CS Capital (Private) Limited was incorporated on 5 November 2010 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act 2017) located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to effectively manage investment portfolios in shares, commodities and other securities (strategic as well as short term). On 26 September 2011, the Holding Company has purchased the entire shareholding from its previous principal shareholder. Consequently, the Company becomes the wholly owned subsidiary of the Holding Company.

1.6 CS Energy (Private) Limited was incorporated on 2 April 2008 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to PEPCO / DISCOS under an agreement with the Government of Pakistan or to any other consumer as permitted. The generation plants use bagasse in the combustion process to produce power and processed steam. The plant of the Subsidiary Company is located at Bhone, district Jhang, Punjab. In consequence to the scheme of amalgamation as disclosed in note 1.10 to these consolidated financial statements, Energy, is now being reported as a new segment of Holding Company.

1.7 Solution de Energy (Private) Limited was incorporated as a private limited company in Pakistan under the provisions of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as result of a Joint Venture (JV) agreement between the Holding Company and a partnership concern. The head office of the Subsidiary Company is located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to build, own, operate and maintain 100MW solar power project (the Project) and to generate, accumulate, distribute, sell and supply electricity / power to PEPCO / DISCOS under the agreement with the Government of Pakistan or to any other consumer as permitted. The Subsidiary Company has been granted Letter of Interest (LOI) by the Punjab Power Development Board (PPDB) and currently the Subsidiary Company is in the phase of completing the requirements specified in LOI. Further, the Subsidiary Company has been allocated Land from PPDB. The interconnectivity study report was vetted and approved by National Transmission & Despatch Company (NTDC) in the year ended 30 June 2018. During the current year, the Subsidiary Company has been granted electricity generation license from National Electric Power Regulatory Authority (NEPRA) for its 100MW Solar Power Plant.

1.8 Crescent Hadeed (Private) Limited was incorporated on 15 May 2013 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) located at principal office of the Holding Company. The objective of the Subsidiary Company is to cater the growing demand of steel products and is in line with the Group's vision to organically expand in the steel long products business. The billets manufactured are used by re-rolling mills to manufacture bars and other steel long products for use in the construction and engineering sectors. In consequence to the scheme of amalgamation as disclosed in note 1.10 to these consolidated financial statements, Hadeed (Billet), is now being reported as a new segment of Holding Company.

1.9 Crescent Continental Gas Pipelines Limited having share capital of Rs. 90 is not carrying on any business operations.

1.10 Last year, the Board of Directors of the Holding Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Crescent Hadeed (Private) Limited (CHL) and CS Energy (Private) Limited (CSEL) with and into the Holding Company. The same Scheme of Amalgamation was also approved by the Board of Directors of CHL and CSEL in their respective board meetings held on 3 June 2019. Consequently, as of the completion date of 30 June 2019, the entire undertaking of both CHL and CSEL stand merged with and into the Holding Company with the result as on 30 June 2019, the entire business of CHL and CSEL including its properties, assets, liabilities and rights and obligations vested into the Holding Company. Since CHL and CSEL were group companies under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of CHL and CSEL are included in the unconsolidated financial statements of the Holding Company at the same carrying values as recorded in CHL's and CSEL's separate financial statements as at 30 June 2019. The statement of financial position of CHL and CSEL are consolidated prospectively from the date of amalgamation.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Group's net sales stood at Rs. 3.822 billion (2019: Rs. 4.066 billion), out of which 33.8 percent was generated from Steel division, 35.2 percent from Cotton division and rest 31.0 percent i.e. Rs. 1.185 billion were from amalgamated subsidiaries. For the first half of the year, the Steel division recorded revenue of Rs. 356.9 million only, owing to lower sales order booked by Steel division due to delay in infrastructure projects. During the month of March 2020, the Group secured a contract of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe. Production and delivery of coated pipe is expected to commence from first quarter of next fiscal year.

Net income from investments in equity shares of Rs. 20.912 million (mainly dividends) were generated during the year. The KSE-100 index showed a slightly upward trend during the year which led to upward side of the bench mark by 1.3 percent, after taking a huge decline during COVID-19 lockdown period. KSE 100 index opened at 33,996 points at start of fiscal year 2019-20, touched down to 27,047 and closed at 34,422 points.

Further, a novel strain of coronavirus (COVID-19) that surfaced from China took a form of pandemic as declared by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements lockdown, cancellation of major events, etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). Cotton division was impacted more as compared to other divisions as its factory was closed down for 57 days and consequently sales declined by 20% from last year. However, the factory reopened after necessary permissions to produce orders for essential services. The Group remained up to date in all its financial commitments. Management believes that the going concern assumption of the Group remains valid. Accordingly, there is no significant accounting impact of the effect of COVID-19 in these consolidated financial statements.

3 BASIS OF PREPARATION

3.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the unconsolidated financial statements of the Holding Company, CS Capital (Private) Limited and Solution de Energy (Private) Limited for the year ended 30 June 2020. Crescent Continental Gas Pipelines Limited is not carrying on any business operations and accordingly no financial statements are being prepared. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 19 to these consolidated financial statements.

The accounting policies used by the subsidiary companies in preparation of their financial statements are consistent with that of the Holding Company. The accounting policies used by the Group's associates in preparation of their respective financial statements are also consistent with that of the Holding Company. Where policies are different, necessary adjustments are made to the financial statements of that associate or subsidiary to bring their accounting policies in line with those used by the Group.

3.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan as are 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 IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investments which are classified as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), derivatives which are stated at fair value and obligations in respect of gratuity and pension schemes which are measured at present value of defined benefit obligation less fair value of plan assets.

3.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency and has been rounded to the nearest thousand.

4 USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the consolidated financial statements to the carrying amount of assets, liabilities, assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent years are set forth below:

- Property, plant and equipment (refer note 6.3)
- Intangible assets (refer note 6.4)
- Investment property (refer note 6.5)
- Investments (refer notes 6.6.2 and 6.7)
- Stores, spares and loose tools and stock-in-trade (refer notes 6.9 and 6.10)
- Employees benefits (refer note 6.13)
- Leases (refer note 6.15)
- Taxation (refer note 6.19)
- Impairment (refer notes 6.3, 6.4, 6.5, 6.6.2 and 6.24)
- Provisions (refer note 6.23)

5 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

5.1 Standards, interpretations and amendments to be published approved accounting standards that are not yet effective

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

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The Groups may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Group shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

    - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

    - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

    - there is no substantive change to the other terms and conditions of the lease.

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

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

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

  The amendments are not likely to affect the financial statements of the Group.

- Annual Improvements to IFRS standards 2018-2020:

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

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

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

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in note 6.1, the significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

6.1 Change in accounting policy

Explained below is the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements, and also discloses the new accounting policy that has been applied from 1 July 2019, where it is different to that applied in prior periods.

The Group adopted IFRS 16 "Leases" on 1 July 2019 as notified by the Securities and Exchange Commission of Pakistan vide its SRO 434 (I)/2018 dated 09 April 2018. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise right-of-use (RoU) assets representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases". Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

At inception of a contract, the Group is required to assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application has to be recognised in retained earnings as at 1 July 2019. The adoption of IFRS 16 did not have any impact on the retained earnings, the financial position and / or financial performance of the Group as the Group did not have any lease contracts at implementation of IFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group is required to apply judgments to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and RoU assets recognised.

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The Group is required to determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determined the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard by electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its arrangements made applying IAS 17 and interpretation for determining whether an arrangement contains a lease. The Group has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019.

The Group did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have any effect on the financial statements of the Group except the reclassification of leased assets as Right-of-use assets (refer note 16).

6.2 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

All material inter-group balances, transactions and resulting unrealized profits / losses are eliminated.

Investments in associates

Entities in which the Group has significant influence directly or indirectly (through subsidiaries) but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit / loss of associates is recognized in the consolidated profit or loss. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to consolidated profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the consolidated profit or loss.

6.3 Property, plant and equipment

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs, if any.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property, plant and equipment are recognized in the consolidated profit or loss as incurred.

Depreciation

Depreciation is charged to the consolidated profit or loss on a straight line basis at the rates specified in note 16.1 to these consolidated financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off or retained.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if appropriate.

Disposal

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in consolidated profit or loss.

Leased assets

Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

Capital work in progress

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of tangible and intangible assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

Impairment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

6.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to consolidated profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Research and development expenditures

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in consolidated profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and capitalized borrowing costs. Other development expenditure is recognized in consolidated profit or loss as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and accumulated impairment loss, if any. However, during the year expenses incurred in respect of the project have been capitalized (Refer note 17).

Impairment

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

6.5 Investment property

Cost

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the Group comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

Depreciation

Depreciation is charged to income on the straight line method at the rates specified in the note 18 so as to allocate the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each reporting date and adjusted if appropriate.

Impairment

The Group assesses at each reporting date whether there is any indication that investment property 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 amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

Disposal

The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in consolidated profit or loss.

6.6 Financial instruments

6.6.1 Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

6.6.2 Financial assets

Classification

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) - Debt investment;
- Fair value through other comprehensive income (FVOCI) - Equity investment; or
- Fair value through profit and loss (FVTPL).

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

Amortized cost

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

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - Debt investment

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - Equity investment

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

FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL.

Subsequent measurement and derecognition

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

The financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated profit or loss. Any gain or loss on derecognition is recognised in consolidated profit or loss.

Debt investments classified as FVOCI are subsequently measured at fair value. Interest income calculated using effective method, foreign exchange gain and losses and impairment are recognised in consolidated profit or loss. Other net gains and losses are recognised in consolidated OCI. On de-recognition, gains and losses accumulated in consolidated OCI are reclassified to consolidated profit or loss.

Equity investments classified as FVOCI are subsequently measured at fair value. Dividends are recognized as income in consolidated profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, when the Group's right to receive payments is established. This category only includes equity instruments, which the Group intends to hold for the foreseeable future. On derecognition, there is no reclassification of fair value gains and losses to consolidated profit or loss. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

The financial assets classified at FVTPL are subsequently measured at fair value and net gains and losses, including any interest or dividend income, are recognised in consolidated profit or loss. Net gains and losses (unrealised and realised), including any interest or dividend income, are recognised in consolidated profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group recognised a loss for ECL for financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables including loans to related party.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. For other debt financial assets (i.e., loans etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due and a financial asset in default when contractual payment are 90 days past due.

Derivative financial instruments

The Group enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is equivalent to the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the consolidated statement of financial position. The resultant gains and losses from derivatives held for trading purposes are recognized in consolidated profit or loss. No derivative is designated as hedging instrument by the Group.

6.6.3 Financial liabilities

Classification and subsequent measurement

The Group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination
- held-for-trading
- designated as at FVTPL

The Group does not classify any of its financial liabilities under FVTPL.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss and other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7 Investment in commodities

Investment in commodities is initially recognised at cost, which is its fair value. Such commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. Subsequently, investment in commodities is stated at fair value less cost to sell. Changes in fair value is recognised in consolidated profit or loss.

6.8 Non-current assets held for sale

Non-current assets or disposal groups comprising of assets or liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured at lower of their carrying amount and fair value less costs to sell.

6.9 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

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

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

6.10 Stock-in-trade

Stock-in-trade is stated at the lower of cost less impairment loss, if any and net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. The cost of finished goods of Steel segment is assigned by using specific identification of their individual costs. Scrap stocks are valued at their estimated net realizable value.

6.11 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. Refer note 6.6.2 for description of Group's impairment policies.

6.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

6.13 Employee benefits

6.13.1 Compensated absences

The Group accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.13.2 Post retirement benefits

6.13.2.1 Defined contribution plan - Provident fund

The Holding Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Holding Company and its employees. Obligation for contributions to the fund are recognized as an expense in consolidated profit or loss account when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25% of basic pay plus Cost Of Living Allowance (COLA) of Cotton segment employees. A trust has been established and its approval has been obtained from the Commissioner of Income Tax.

All employees except Cotton segment

Contributions to the fund are made at the rate of 8.33% of basic pay plus COLA for those employees who have served the Group for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

6.13.2.2 Defined benefit plans

Pension and gratuity fund schemes

The Holding Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying service as per the terms of employment. The pension scheme provides life time pension to retired employees or to their spouses as per pension fund rules.

The Holding Company's obligation is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in consolidated other comprehensive income. The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense, current service costs and any past service costs are recognized in consolidated profit or loss. Any assets resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

6.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in consolidated profit or loss over the period of the borrowings on an effective interest basis.

6.15 Leases

Accounting policy applicable after 1 July 2019

Lease are recognised as Right-of-use (RoU) asset and a lease liability at the lease commencement date except for short term or low value leases.

The RoU asset has to be initially measured at cost, and subsequently at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

For sale and lease back if the Group has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15 and measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The gain (or loss) recognised is limited to the proportion of the total gain (or loss) that relates to the rights transferred.

If the consideration for the sale is not equal to the fair value of the asset, any resulting difference represents either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms).

If the transfer is not a sale (that is, the Group does not obtain control of the asset in accordance with IFRS 15), it does not derecognise the transferred asset and accounts for the cash received as a financial liability.

Accounting policy applicable before 1 July 2019

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

Assets held under finance leases along with corresponding lease liabilities are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in consolidated profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised as more fully explained in note 6.22 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit or loss on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognised in consolidated profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognised immediately in consolidated profit or loss.

6.16 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard - 2 (IFAS 2), "Ijarah" as issued by Institute of Chartered Accountants of Pakistan (ICAP). The assets are not recognised on the Group's statement of financial position and payments made under Ijarah financing are recognised in consolidated profit or loss on a straight line basis over the term of the lease.

6.17 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

6.18 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities. The definition of "Government" refers to Governments, Government agencies and similar bodies, whether local, national or international.

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

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

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

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the Government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

6.19 Taxation

Group taxation

The Parent company has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001 along with its subsidiary CS Capital (Private) Limited. These companies are taxed as one fiscal unit under this scheme. The current and deferred income taxes have been estimated on income of each of the companies according to the applicable law and are recognised by each company separately within the Group, regardless of who has the legal liability for settlement or the legal right for recovery of the tax. Any adjustments arising solely due to Group taxation in respect of result of subsidiary is recognised in the Parent Company and the amounts paid to or receivable from the Parent company are adjusted accordingly.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

6.20 Revenue recognition

Revenue comprises of sales to third parties and is measured based on the consideration specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer, and when it transfers control over the promised good or service to the customer.

Revenue from supply of electricity and steam is recorded upon satisfaction of performance obligation i.e. completion of service activity based on meter readings. Revenue is measured as per tariffs specified in contracts with customers.

The Group manufactures and contracts with customers for the sale of bare pipes, coated pipes, steel billets, cotton and electricity products which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised at that point in time. Delivery occurs when the products have been shipped or delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product. The customer has accepted the product as per the sales contract or lapse of acceptance provision specified in the contract or the Group has objective evidence that all criteria for acceptance have been satisfied. Contract for the sale of bare and coated pipes contains penalty clause on account of delay supply (liquidity damage). Under IFRS 15, these amounts are referred to as 'variable consideration'. The consideration which the Group receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of liquidity damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

6.21 Investment and other income

Interest income is recognized using the effective interest method.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealized gains and losses arising on revaluation of securities classified as 'fair value through profit and loss' are recognized in consolidated profit or loss in the period in which they arise. Gains and losses arising on revaluation of derivatives to the fair value are also recognized in consolidated profit or loss.

Rental income (net of any incentives given to lessees) from investment property is recognized on a straight line basis over the lease term.

6.22 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to consolidated profit or loss currently.

6.23 Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

6.24 Impairment

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

6.25 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange differences, if any, are recognized in consolidated profit or loss.

6.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

6.27 Proposed dividend and transfer between reserves

Dividend distributions to the Holding Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

6.28 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
Number of shares			Rupees in '000	
37,756,686	37,756,686	Ordinary shares of Rs. 10 each fully paid in cash	377,567	377,567
39,875,805	39,875,805	Ordinary shares of Rs. 10 each issued as bonus shares	398,758	398,758
77,632,491	77,632,491		776,325	776,325

7.1 Ordinary shares of the Holding Company held by related parties as at year end are as follows:

	2020		2019	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.47%	1,921,333	2.47%	1,921,333
Crescent Steel and Allied Products Limited - Pension Fund	5.18%	4,024,980	5.18%	4,024,980
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.16%	124,200	0.16%	124,200
Crescent Cotton Products - Staff Provident Fund	0.10%	74,800	0.10%	74,800
CSAPL - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Muhammad Amin Muhammad Bashir Limited	–	–	0.00%	848
Premier Insurance Limited	0.18%	141,500	0.18%	141,500
The Crescent Textile Mills Limited	11.00%	8,538,303	11.00%	8,538,303
Pak-Qatar Family Takaful Limited	10.45%	8,111,500	–	–
Shakarganj Limited	0.23%	180,000	0.23%	180,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal, and block voting.

8 CAPITAL RESERVES

This includes share premium reserve amounting to Rs. 1,020.9 million and as per section 81 of the Companies Act, 2017 this can be used for following purpose:

- to write off preliminary expenses of the Holding Company;
- to write off expenses of, or the commission paid or discount allowed on, any issue of shares of the Holding Company; and
- in providing for the premium payable on the redemption of any redeemable preference shares of the Holding Company.

The Holding Company may also use the share premium account to issue bonus shares to its members.

Rupees in '000	Note	2020	2019
9 LONG TERM LOANS			
Secured - Under Non-Shariah arrangement			
Allied Bank Limited	9.1	195,240	287,546
Habib Metropolitan Bank Limited - government grant	9.2	44,440	-
		239,680	287,546
Less: Current portion shown under current liabilities		49,345	110,394
		190,335	177,152

9.1 The Holding Company had a long term loan arrangement with Allied Bank Limited for an amount of Rs. 312 million (2019: Rs. 312 million). The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments which started from December 2015. During the year, the Holding Company has made last repayment of Rs. 19.5 million (2019: Rs. 78 million) on September 2019. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year ended 30 June 2017, Holding Company entered into a loan arrangement with Allied Bank Limited of an amount of Rs. 100 million, out of which Rs. 74.176 million have been disbursed till date. The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments starting after fifteen months from date of disbursement. During the year, the Holding Company has made repayment of Rs. 18.544 million (2019: Rs. 18.544 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During year ended 30 June 2018, the Holding Company entered into new loan arrangement with Allied Bank Limited of an amount of Rs. 300 million, out of which Rs. 217.050 million have been disbursed till date. The term of the loan is 4 years from the date of disbursement with a grace period of one year; however, due to pandemic the bank allowed one year more grace period, repayable in 12 equal quarterly installments starting after twelve months from date of disbursement. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year, mark-up on such arrangements was ranged between 12.69% to 14.99% (2019: 7.91% to 14.42%) per annum. The facility is secured against first joint pari passu hypothecation / equitable mortgage on plant, machinery and property of the Holding Company.

9.2 During the year, the Holding Company entered into new loan arrangement with Habib Metropolitan Bank Limited under the State Bank of Pakistan's (SBP) "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Holding Company has obtained the said loan at subsidized rate in two tranches in May 2020 and June 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

10 LEASE LIABILITIES

Rupees in '000	Minimum lease payments 2020	Minimum lease payments 2019	Future finance costs 2020	Future finance costs 2019	Present value of minimum lease payments 2020	Present value of minimum lease payments 2019
Not later than one year	54,707	65,432	8,240	14,178	46,467	51,254
Later than one year and not later than five years	70,035	116,939	5,215	13,897	64,820	103,042
	124,742	182,371	13,455	28,075	111,287	154,296
Less: Current portion shown under current liabilities					46,467	51,254
					64,820	103,042

10.1 The Holding Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is three to five years (2019: three to five years) and the liability is payable by the month ranging from six to sixty months (2019: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 7.24% to 18.42% (2019: 10.61% to 17.60%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 86.083 million (2019: Rs. 133.019 million) which pertains to obligations arising from sale and leaseback of assets.

The Holding Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Holding Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

Rupees in '000	2020	2019
11 DEFERRED INCOME		
Opening balance	13,320	13,531
Addition during the year:		
- related to sale and lease back	–	5,623
- related to government grant (concessional rate loan)	6,773	–
Income recognized during the year	(6,825)	(5,834)
	13,268	13,320
Less: Current portion shown under current liabilities	(6,215)	(6,454)
Closing balance	7,053	6,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
12 TRADE AND OTHER PAYABLES			
Trade creditors		263,949	108,569
Bills payable		42,647	–
Commission payable		1,925	1,466
Accrued liabilities	12.1	411,753	292,721
Advances from customers - unsecured	12.2	95,674	24,110
Provisions	12.3	237,414	220,317
Due to related parties	12.4	4,016	–
Payable to provident fund		2,067	2,134
Payable to staff retirement benefit funds		2,257	1,979
Retention money		10,471	10,764
Sales tax payable		12,297	1,295
Withholding tax payable		1,504	2,959
Advance income tax	12.5	–	38,166
Workers' Profit Participation Fund	12.6	2,061	5,885
Workers' Welfare Fund		4,114	4,114
Others		23,186	24,571
		1,115,335	739,050
12.1 Accrued liabilities			
Salaries, wages and other benefits		16,682	15,897
Accrual for 10-C bonus		436	2,639
Compensated absences		11,224	15,032
Liquidated damages		153,695	153,695
Others	12.1.1	229,716	105,458
		411,753	292,721

12.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 17.004 million (2019: Rs. 17.004 million).

12.2 This includes advance received from Shakarganj Limited amounting to Rs. 15.906 million (2019: Nil).

12.3 Movement in provisions

Rupees in '000	Infrastructure fee (Note 12.3.1)	Sales Tax (Note 12.3.2)	Liquidated damages (Note 12.3.3)	Total
Opening balance as at 1 July 2019	171,654	3,242	45,421	220,317
Provision for the year	17,097	–	–	17,097
Closing balance as at 30 June 2020	188,751	3,242	45,421	237,414

12.3.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001 (the Ordinance) and through Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates fees levied through the Ordinance and continues the levy.

The Holding Company has contested this issue in the High Court. The Holding Company filed an appeal in the Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it is legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeal, another law came into existence which was not subject matter in the appeal. Therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. The petition was filed in the High Court in respect of the above view. During the pendency of the appeal an interim arrangement was agreed whereby bank guarantee furnished for consignments cleared upto 27 December 2006 were returned. Bank guarantees were furnished for 50% of the levy for consignment released subsequent to 28 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

After promulgation of new law, the Holding Company has instituted legal proceedings against the levy in the Sindh High Court, where interim stay has been granted on similar terms of payment of 50% of the amount of cess to the Government and furnishing of bank guarantees for remaining 50%.

Under the arrangement if the Holding Company succeeds in the petition, Government of Sindh will refund the amount subject to their right to appeal before Honourable Supreme Court. To date the Holding Company has provided bank guarantees amounting to Rs. 156.039 million (2019: Rs. 131.039 million) in favour of Excise and Taxation Department. Based on the legal advice, the management believes that the chances of success in the petition are in the Holding Company's favour. Current year charge has been estimated on the value of imports during the year and forms a component of cost of such imported raw materials. Any subsequent adjustment with respect to increase or decrease in the estimate has been recognized in the consolidated profit or loss. However, on a prudent basis full provision has been recognized.

12.3.2 These have been made against sales tax claims long outstanding with the sales tax department.

12.3.3 The provision has been recognized on account of liquidated damages claimed by customers on delayed supply of goods. The Holding Company is in the process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been recognized.

12.4 This represents balances due to Shakarganj Limited amounting to Rs. 3.783 million (2019: Nil) and Premier Insurance Company, amounting to Rs. 0.232 million (2019: Nil).

12.5 This amount represents advance income tax charged on the supply of electricity under section 235A of the Income Tax Ordinance, 2001, which is payable on collection of bills from customers.

Rupees in '000	Note	**2020**	2019
12.6 Workers' Profit Participation Fund			
Opening balance as at 1 July		5,885	29,443
Allocation for the year	37	–	3,633
		5,885	33,076
Amount paid to the trustees of the fund		(3,824)	(27,191)
Closing balance as at 30 June		2,061	5,885

Rupees in '000	Note	2020	2019
13 MARK-UP ACCRUED			
Mark-up accrued on :			
- Finance lease obligations		312	503
- Long term loans		4,118	6,812
- Running finance and short term loans	13.1	50,682	36,549
		55,112	43,864

13.1 This includes mark-up accrued amounting to Rs. 26.344 million (2019: Rs. 16.515 million) on shariah arrangement.

Rupees in '000	Note	2020	2019
14 SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	14.1	609,820	907,341
Short term loans	14.2	2,093,043	730,751
		2,702,863	1,638,092

14.1 Short term running finance available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,310.8 million (2019: Rs. 1,550 million) out of which Rs. 300 million (2019: Rs. 400 million), Rs. 150 million (2019: Rs. 150 million) and Rs. 450 million (2019: Rs. 450 million) are interchangeable with letter of credit, letter of guarantee facility and short term loan respectively. During the year, mark-up on such arrangements ranged between 10.33% to 15.85% (2019: 7.68% to 14.81%) per annum.

14.2 This includes an amount of Rs. 697.11 million (2019: Rs. 617.059 million) outstanding against Islamic mode of financing. Short term loan financing available from various commercial banks under mark-up arrangements amounted to Rs. 4,600 million (2019: Rs. 4,800 million) out of which Rs. 3,400 million (2019: Rs. 3,800 million), Rs. 255 million (2019: Rs. 50 million) and Rs. 350 million (2019: Rs. 335 million) is interchangeable with letters of credit, running finance and letter of guarantee facility respectively. During the year, mark-up on such arrangements ranged between 9.79% to 16.18% (2019: 8.78% to 14.86%) per annum.

14.3 The facilities for opening letters of credit amounted to Rs. 4,600 million (2019: Rs. 6,510 million) out of which Rs. 300 million (2019: Rs. 375 million), Rs. 3,650 million (2019: Rs. 5,450 million) and Rs. 255 million (2019: Rs. 260 million) are interchangeable with short term running finance, short term loans and letter of guarantee facility respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2020 amounted to Rs. 1,826.1 million (2019: Rs. 2,096 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2020 were Rs. 4,458.24 million and Rs. 71.423 million (2019: Rs. 6,355 million and Rs. 846 million), respectively.

14.4 The Group is currently availing Islamic mode of financing from the Al Baraka Bank, Dubai Islamic Bank and Bank Islami Pakistan Limited. Facilities availed during the year includes letter of credit, bank guarantee, Wakala, Murabaha, Istisna and Ijarah financing.

14.5 The above facilities are expiring on various dates and are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton / cotton yarn; and lien over import / export document (refer note 28.2).

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 During 2014-2015, a show cause notice was issued by the Deputy Director, Directorate of Post Clearance Audit (Customs) Karachi for payment of duties and taxes on import of certain raw materials. In response the Holding Company had contested that the said imports were exempt under bilateral agreement between Government of Pakistan and Government of Japan for projects under grant and accordingly these were cleared by the Customs Authority. However, the collector customs has issued an order dated 22 May 2015 for recovery of the said duty and taxes and penalty thereon amounting to Rs. 35.773 million. The Holding Company has filed an appeal with Appellate Tribunal (Customs) against the order. No provision has been recognized in these consolidated financial statements as the case is under appeal and management considers that the same would be decided in the Holding Company's favour.

15.1.2 During 2015-2016, a show cause notice was received from Sindh Revenue Board in respect of registration as a service provider and a demand aggregating to Rs. 60 million in respect of sales tax on services was raised thereby. The Holding Company filed a constitutional writ in the Sindh High Court against the Sindh Revenue Board and Government of Sindh in which Honorable Sindh High Court granted interim relief to the Holding Company.

Afterwards, the writ was decided in light of Supreme Court's orders in similar writs where Supreme Court had decreed for a 50% payment of tax demand in order to keep the writs maintainable.

Following closure of petition, the Holding Company received show cause notices and demands for Sindh Sales Tax payments amounting to Rs. 79 million, which were challenged in Sindh High Court in a civil suit as well as at the Appellate forums of the tax authority. Currently, the appeal is pending with the Commissioner (Appeals) for adjudication.

No provision has been recognized in the consolidated financial statements in this respect, since based on the opinions of tax consultant and the Holding Company's legal counsel, the management is confident of favorable outcome of litigation in relation to the said matter.

15.1.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million, respectively. The Holding Company has challenged the cancellation and filed a suit in the Sindh High Court. The High Court has restrained SITE from taking any adverse action against the Holding Company. Therefore, management considers that the case would be decided in the Holding Company's favour and no provision is required to be recognized.

15.2 Commitments

15.2.1 During 2015-2016, the Holding Company entered into Ijarah financing arrangement amounting to Rs. 600 million with Bank Islami Pakistan Limited (BIPL) for acquisition of Spiral Pipe (SP) machine. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease. During the year, BIPL deferred the principal payments of rentals for one year as per the directives issued by State Bank of Pakistan vide its circular no. 12 dated 26 March 2020. As at 30 June 2020, amount of lease rental outstanding under the agreement are Rs. 121.692 million (2019: Rs. 183.184 million), which is payable in quarterly instalments of Rs. 22.898 million (2019: Rs. 22.898 million) each.

The total of future Ijarah payment under arrangement are as follows:

Rupees in '000	2020	2019
Not later than one year	33,707	91,592
Later than one year and not later than five years	327,985	331,592
	361,692	423,184
Security deposit under arrangement	(240,000)	(240,000)
	121,692	183,184

15.2.2 Aggregate amount of guarantees issued by conventional side of banks on behalf of the Group against various contracts aggregated to Rs. 1,654 million (2019: Rs. 1,251 million). This includes guarantee issued by Islamic banks amounting to Rs. 153.591 million (2019: Rs. 153.591 million).

15.2.3 Commitments in respect of capital expenditure contracted for by the Group as at 30 June 2020 amounted to Rs. 8.455 million (2019: Rs. 42.038 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2020 amounted to Rs. 228.486 million (2019: Nil).

Rupees in '000	Note	2020	2019
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	2,015,212	2,405,467
Capital work-in-progress	16.5	91,471	89,577
		2,106,683	2,495,044
Right-of-use-assets	16.1	168,601	–
		2,275,284	2,495,044

16.1 Operating fixed assets

Description		Land		Buildings		Office premises	Plant and machinery owned*	Electrical/ office equipment and installation	Furniture and fittings	Computers	Motor vehicles owned	Total operating fixed assets	Right-of-use assets			Total
Rupees in '000	Note	Freehold	Freehold including improvements	On freehold land	On leasehold land								Plant and machinery	Motor vehicles	Total	
Net carrying value as at 1 July 2019																
Opening net book value (NBV)		307,723	37,625	448,448	14,010	6,225	1,317,610	19,481	13,638	2,634	33,916	2,201,310	168,850	35,306	204,156	2,405,466
Additions / transfers		-	-	(10,861)	10,861	-	1,832	848	-	378	3,587	6,645	-	-	-	6,645
Disposals (at NBV)	16.6	-	-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(2,752)	(4,212)
Depreciation charge	16.1.2	-	(1,686)	(10,656)	(17,481)	(919)	(139,679)	(7,586)	(2,007)	(2,012)	(9,257)	(191,283)	(21,707)	(11,096)	(32,803)	(224,086)
Balance as at 30 June 2020 (NBV)		307,723	35,939	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	168,601	2,183,813
Gross carrying value as at 30 June 2020																
Cost	16.4	307,723	43,066	663,289	96,545	27,481	2,809,668	73,281	35,027	58,821	69,599	4,184,500	215,150	58,983	274,133	4,458,633
Accumulated depreciation		-	(7,127)	(236,358)	(89,155)	(22,175)	(1,629,905)	(60,538)	(23,396)	(57,829)	(42,805)	(2,169,288)	(70,384)	(35,148)	(105,532)	(2,274,820)
Net book value		307,723	35,939	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	168,601	2,183,813
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	5 - 20	10	33	20		10	20		

Description		Land		Buildings		Office premises	Plant and machinery		Electrical/ Office equipment and installation	Furniture and fittings	Computers	Motor vehicles		Total
Rupees in '000	Note	Freehold	Leasehold including improvements	on freehold land	on leasehold land		Owned*	Lease				Owned	Leased	
Net carrying value as at 1 July 2018														
Opening net book value (NBV)		307,723	39,311	438,787	849	7,125	1,383,546	191,198	25,183	11,944	5,600	55,262	17,214	2,483,743
Additions / transfers		-	-	35,424	13,677	-	78,988	-	2,427	3,535	646	14,420	26,444	175,561
Disposals (at NBV)		-	-	-	-	-	(1,897)	-	(35)	-	(85)	(21,945)	(770)	(24,732)
Depreciation charge		-	(1,686)	(25,763)	(516)	(900)	(143,027)	(22,348)	(8,094)	(1,841)	(3,527)	(13,821)	(7,582)	(229,105)
Balance as at 30 June 2019 (NBV)		307,723	37,625	448,448	14,010	6,225	1,317,610	168,850	19,481	13,638	2,634	33,916	35,306	2,405,467
Gross carrying value as at 30 June 2019														
Cost		307,723	43,066	676,130	83,704	27,481	2,807,836	218,546	72,433	35,027	60,880	71,385	60,007	4,464,219
Accumulated depreciation		-	(5,441)	(227,682)	(69,694)	(21,256)	(1,490,226)	(49,696)	(52,952)	(21,389)	(58,246)	(37,469)	(24,701)	(2,058,752)
Net book value		307,723	37,625	448,448	14,010	6,225	1,317,610	168,850	19,481	13,638	2,634	33,916	35,306	2,405,467
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	10	5 - 20	10	33.33	20	20	

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.582 million (2019: Rs. 1.704 million) representing net book value of capitalized spares.

16.1.1 During the year assets having net book value Rs. 2.753 million (2019: Nil) were transferred from lease assets to own assets due to maturity of lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Rupees in '000	Note	**2020**	2019
16.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	33.1	200,570	203,079
Distribution and selling expenses	35	1,108	1,162
Administrative expenses	36	22,121	24,497
Intangible under development phase		287	367
		224,086	229,105

16.2 Property, plant and equipment as at 30 June 2020 include items having an aggregate cost of Rs. 1,310.585 million (2019: Rs. 1,258.367 million) that have been fully depreciated and are still in use by the Holding Company.

16.3 Particulars of Group's immovable operating fixed assets are as follows:

Particulars	Location	Area	
Building			
Office premises	Saddar, Karachi	14,504	Sq. feet
Building	Nooriabad, District Jamshoro	261,257	Sq. feet
Building	Jaranwala, District Faisalabad	340,455	Sq. feet
Building	Dalowal, District Faisalabad	30,484	Sq. feet
Building	Bhone, District Jhang	78,098	Sq. feet
Building	Bhone, District Jhang	7,515	Sq. feet
Land			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Ferozpur Lahore	5.1	Acre
Freehold land	Dalowal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.11	Acre

16.4 The fair value and forced sale value of property, plant and equipment of the Group approximate to Rs. 4,519.8 million and Rs. 3,675.7 million, respectively.

Rupees in '000	Note	**2020**	2019
16.5 Capital work-in-progress			
Advances to suppliers		40,000	40,000
Civil work	16.5.1 & 16.5.2	50,925	49,577
Others		546	-
		91,471	89,577

16.5.1 This includes an amount of Rs. 26.4 million (2019: Rs. 26.4 million) paid by the Holding Company to Pakistan Steel Mills Limited (PSML) against allotment of plot measuring 24,200 square yards. However, third party has filed a case in Honourable High Court of Sindh for declaration and injunction against said property. The Holding Company has filed a suit in Honourable High Court of Sindh for specific performance and declaration against PSML with respect to the said property and also filed an application for vacation of the injunction operating against the property. The Honourable High Court of Sindh vide its interim order has restrained PSML from creating any third party interest till the disposition of the case. The applications are pending for hearing. Based on consultation with its legal advisor, management believes that it has a reasonable grounds in the case and expects a favorable outcome.

16.5.2 The Holding Company has recognized a provision for an amount of Rs. 20.619 million (2019: Rs. 20.619 million) against construction work at a site which has been halted.

16.6 The following assets were disposed off during the year

Description Rupees in '000	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particular of buyers
Plant and machinery	3,396	1,019	2,377	2,377	-	Transfer to own assets	Various leasing companies
Others	10,130	8,295	1,835	2,936	1,101	Various	Various
2020	13,526	9,314	4,212	5,313	1,101		
2019	73,712	48,980	24,732	37,406	12,674		

Rupees in '000	Note	**2020**	2019
17 INTANGIBLE ASSETS			
Intangible assets			
- Under use	17.1	888	484
- Under project development	17.2	144,840	143,051
		145,728	143,535
17.1 Intangible assets - under use			
Net carrying value as at 1 July			
Net book value as at 1 July		484	2,602
Additions		615	580
Amortization	17.1.1	(211)	(2,698)
Net book value as at 30 June	17.1.2	888	484
Gross carrying value as at 30 June			
Cost		78,614	77,999
Accumulated amortization		(75,086)	(74,875)
Accumulated impairment		(2,640)	(2,640)
Net book value		888	484
Amortization rate (% per annum)		33.33	33.33

17.1.1 The amortization charge for the year has been allocated to administrative expenses (Note 36).

17.1.2 Intangible assets as at 30 June 2020 include items having an aggregate cost of Rs. 74.778 million (2019: Rs. 74.778 million) that have been fully amortized and are still in use of the Holding Company.

17.2 This pertains to payments made on account of feasibility and other project related activities related to the subsidiary company - Solution de Energy (Private) Limited. The costs incurred have been capitalized as project development expenditure (intangible asset) in these consolidated financial statements in accordance with the requirements of IAS 38.

18 INVESTMENT PROPERTIES

Description Rupees in '000	Note	Freehold land	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2019						
Opening net book value (NBV)		1,740	33,203	20,342	5	55,290
Depreciation charge	18.1	–	(2,576)	(1,648)	(5)	(4,229)
Balance as at 30 June 2020 (NBV)		1,740	30,627	18,694	–	51,061
Gross carrying value as at 30 June 2020						
Cost	18.2	1,740	47,705	33,167	29,830	112,442
Accumulated depreciation		–	(17,078)	(14,473)	(29,830)	(61,381)
Net book value		1,740	30,627	18,694	–	51,061
Net carrying value as at 1 July 2018						
Opening net book value (NBV)		1,740	35,809	11,768	41	49,358
Additions		–	–	9,801	–	9,801
Depreciation charge		–	(2,606)	(1,227)	(36)	(3,869)
Balance as at 30 June 2019 (NBV)		1,740	33,203	20,342	5	55,290
Gross carrying value as at 30 June 2019						
Cost		1,740	47,705	33,167	29,830	112,442
Accumulated depreciation		–	(14,502)	(12,825)	(29,825)	(57,152)
Net book value		1,740	33,203	20,342	5	55,290
Depreciation rate (% per annum)			1 & 10	5	10 - 20	

18.1 Depreciation charged for the year has been allocated to administrative expenses (Note 36).

18.2 Fair value of the investment property based on recent valuation as at 30 June 2020 is Rs. 310 million (2019: Rs. 265 million), which is determined by independent valuer on the basis of market value.

18.3 Particulars of Group's immovable investment property are as follows:

Particulars	Location	Area	
Building			
Ware house	Port Qasim, Karachi	40,000	Sq. feet
Building	Port Qasim, Karachi	416	Sq. feet
Office premises	Saddar, Karachi	4,854	Sq. feet
Land			
Lease hold	Port Qasim, Karachi	4	Acre
Freehold land	Gawadar	3	Acre

19 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Quoted			
63,967,500	63,967,500	Altern Energy Limited	19.1	2,875,409	2,865,712
		(Chief Executive Officer -			
		Mr. Umer Shehzad Sheikh)			
35,011,347	35,011,347	Shakarganj Limited	19.1	211,732	401,194
		(Chief Executive Officer -			
		Mr. Anjum M. Saleem)			
		Unquoted			
3,430,000	3,430,000	Crescent Socks (Private) Limited	19.1	-	-
		(Chief Executive Officer -			
		Mr. Shahryar Mazhar)			
				3,087,141	3,266,906

19.1 Movement of investment in equity accounted investees is as follows:

		30 June 2020			
Rupees in '000	Note	Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	Total
Opening balance as at 1 July 2019		2,865,712	401,194	-	3,266,906
Share of profit / (loss)	19.1.1	370,961	(197,482)	-	173,479
Share of equity	19.1.1	152	8,020	-	8,172
Dividend received		(361,416)	-	-	(361,416)
Closing balance as at 30 June 2020		2,875,409	211,732	-	3,087,141

	30 June 2019			
Rupees in '000	Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	Total
Opening balance as at 1 July 2018	2,777,125	311,108	-	3,088,233
Share of profit	290,096	106,665	-	396,761
Share of equity	(11)	(16,579)	-	(16,590)
Dividend received	(201,498)	-	-	(201,498)
Closing balance as at 30 June 2019	2,865,712	401,194	-	3,266,906

19.1.1 These figures are based on unaudited condensed interim financial information of these companies as at 31 March 2020. The latest financial statements / condensed interim financial information of these companies as at 30 June 2020 are not presently available.

19.1.2 The Holding Company has assessed the recoverable amount of the investment in Altern Energy Limited based on value in use. The value in use has been determined on basis of Free Cash Flows to Firm method (FCFF) which assumes discount rate of 8.87% (2019: 12.50%). Based on valuation the recoverable amount exceeds the carrying amount and accordingly, no impairment was recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Rupees in '000	2020	2019
19.2 Market value of investments in associates is as follows:		
Quoted		
Altern Energy Limited	1,551,212	2,132,676
Shakarganj Limited	1,733,062	1,640,282
	3,284,274	3,772,958

(Percentage of holding)	Note	2020	2019
19.3 Percentage of holding of equity in associates is as follows:			
Altern Energy Limited	19.3.1	17.60	17.60
Shakarganj Limited		28.01	28.01
Crescent Socks (Private) Limited		48.99	48.99

19.3.1 The Holding Company and the subsidiary companies hold 16.69% and 0.91% (2019: 16.69% and 0.91%) respectively i.e. aggregate holding of 17.6% (2019: 17.6%) in the investee company and has representation on its Board of Directors. The Company directly and / or indirectly has significant influence as per requirement of IAS 28 'Investments in Associates', therefore it has been treated as an associate as per IAS 28.

19.4 The latest financial statements / condensed interim financial information of these companies as at 30 June 2020 are not presently available. The following is summarized financial information of material associated companies as at 31 March 2020 and for the twelve months period ended 31 March 2020 based on their respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan, modified for fair value and other adjustments and differences in Group's accounting policies:

	Altern Energy Limited		Shakarganj Limited	
Rupees in '000	2020	2019	2020	2019
For the twelve months period ended 31 March				
Revenues	16,307,981	21,324,849	6,753,207	7,200,975
Profit / (loss) after tax	3,740,753	2,859,051	(1,063,914)	(121,741)
Other comprehensive income / (loss)	1,442	(104)	76,546	2,754,574
Total comprehensive income / (loss)	3,742,195	2,858,947	(987,368)	2,632,833
Attributable to non-controlling interests of associates	1,634,005	1,210,965	-	-
Attributable to owners of the parent	2,108,190	1,647,982	(987,368)	2,632,833
	3,742,195	2,858,947	(987,368)	2,632,833
As at 31 March				
Non current assets	16,505,644	18,113,134	11,902,705	12,615,881
Current assets	15,657,244	17,482,746	2,361,935	1,975,261
Non current liabilities	(1,018,035)	(972,157)	(1,223,295)	(1,410,654)
Current liabilities	(3,698,707)	(7,624,671)	(5,562,530)	(4,591,010)
Net assets	27,446,146	26,999,052	7,478,815	8,589,478

Rupees in '000	Altern Energy Limited 2020	2019	Shakarganj Limited 2020	2019
Attributable to non-controlling interests of associates	10,927,318	10,535,317	–	–
Attributable to owners of the parent	16,518,828	16,463,735	7,478,815	8,589,478
	27,446,146	26,999,052	7,478,815	8,589,478
Group's interest in net assets of investee at end of the year	2,907,314	2,897,617	2,094,749	2,405,835
Fair value and other adjustments	(31,905)	(31,905)	(8,832)	(8,832)
Effect of difference in Group's accounting policy	–	–	(1,874,185)	(1,995,809)
Carrying amount of interest in equity accounted investees at end of the year	2,875,409	2,865,712	211,732	401,194

19.4.1 These figures are based on the latest available condensed interim consolidated financial information as at 31 March 2020 including its subsidiary company Rousch (Pakistan) Power Limited being managed by Power Management Company holding 59.98% shares (2019: 59.98% shares).

Rupees in '000	Note	2019	2018
20 OTHER LONG TERM INVESTMENTS			
Fair value through other comprehensive income (FVOCI)	20.1	132,868	138,867
Fair value through profit or loss (FVTPL)	20.2	598,571	549,984
		731,439	688,851

20.1 Fair value through other comprehensive income (FVOCI)

The Group holds investment in ordinary shares of Rs. 10 each in the following listed investee company.

2020	2019		Note	2020	2019
Number of shares		Name of investee company		Rupees in '000	
		Quoted			
6,381,743	6,381,743	The Crescent Textile Mills Limited	20.1.1	132,868	138,867

20.1.1 The Group has irrevocably designated at initial application of IFRS 9 to recognise in this category. This is strategic investment and management considers this classification to be more relevant. Uptil 30 June 2018, these investments were classified as available for sale under IAS 39. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to consolidated profit or loss.

20.2 Fair value through profit or loss (FVTPL)

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Unquoted			
18,814,423	18,814,423	Shakarganj Food Products Limited	20.2.1	462,459	425,583
		Central Depository Company			
5,565,000	4,189,999	of Pakistan Limited (CDC)	20.2.1	136,112	124,401
		Crescent Bahuman Limited -			
2,403,725	2,403,725	Related party	20.2.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	20.2.3	10,470	10,470
				633,078	584,491
		Less: Provision for impairment		(34,507)	(34,507)
				598,571	549,984

20.2.1 On initial application of IFRS 9, these have been classified as FVTPL and measured at fair value.

20.2.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 13.21 per share (2019: Rs. 9.79 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2019. This investment had been fully charged to consolidated profit or loss in earlier periods.

20.2.3 This investment had been fully charged to consolidated profit or loss in earlier periods.

Rupees in '000	2020	2019
21 LONG TERM DEPOSITS		
Security deposits		
- leasing companies	14,176	22,711
- Ijarah financing arrangement	199,694	199,694
- others	10,878	13,907
	224,748	236,312

Rupees in '000	Note	2020	2019

22 DEFERRED TAXATION

Deferred tax credits / (debits) arising in respect of:

Taxable temporary differences			
Accelerated tax depreciation / amortization		198,471	206,978
Finance lease obligations		16,463	14,470
Fair value adjustment in unquoted investment through reserves		36,206	36,206
Fair value adjustment in quoted investment through reserves		1,901	–
Unrealized gain on fair value through profit or loss investments		20,545	12,927
Share of profit from equity accounted investees		165,468	329,483
		439,054	600,064
Deductible temporary differences			
Employee benefits - Defined benefit plan		(46,631)	(67,592)
Provision for slow moving stores, spares and loose tools		(21,307)	(25,763)
Provisions for doubtful trade debts, doubtful advances and others		(76,981)	(70,950)
Discounting on long term deposit		(13,565)	(14,265)
Deferred income		(1,943)	(3,863)
Provisions for impairment of fixed assets		(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess		(3,477)	(3,477)
Excess of minimum tax over normal tax		(107,224)	(50,831)
Tax loss		(445,930)	(308,247)
Provision for diminution in the value of investments		(7,505)	(7,505)
		(730,543)	(558,473)
		(291,489)	41,591

22.1 Break up of deferred tax reversal is as following:

Profit and loss		(358,534)	(17,791)
Other comprehensive income		22,862	(105,487)
Set-off of temporary differences with the Subsidiary Company		2,592	–
Opening retained earnings		–	36,206
		(333,080)	(87,072)

23 STORES, SPARES AND LOOSE TOOLS

Stores		26,999	51,045
Spare parts		211,417	219,329
Loose tools		4,288	4,248
		242,704	274,622
Less: Provision for slow moving items	23.1	73,472	88,838
		169,232	185,784

23.1 Movement in provision for slow moving items

Opening balance		88,838	65,651
Provision (reversed) / made during the year - net		(15,366)	23,187
Closing balance		73,472	88,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
24 STOCK-IN-TRADE			
Raw materials - net			
Hot rolled steel coils (HR Coil)		1,470,714	323,884
Coating materials		39,315	84,462
Steel scrap		56,030	4,320
Others		117,476	112,930
Raw cotton		118,521	130,230
Stock-in-transit		58,535	–
		1,860,591	655,826
Provision for obsolescence and slow-moving raw materials		(2,039)	–
		1,858,552	655,826
Work-in-process	24.1 & 33.1	46,508	24,996
Finished goods - net	24.1 & 33.1	214,215	131,598
Scrap / cotton waste		11,466	8,949
		272,189	165,543
		2,130,741	821,369

24.1 Stock-in-trade as at 30 June 2020 includes items valued at net realisable value (NRV). Reversal in respect of stock written down to NRV was amounting to Rs. 6.906 million (2019: Reversal of Rs. 26.083 million) has been recognized in cost of goods sold.

Rupees in '000	Note	Cost	NRV
Raw material		1,860,591	1,858,552
Work-in-process		46,508	46,508
Finished goods		262,450	214,215
		2,169,549	2,119,275

Rupees in '000	Note	2020	2019
25 TRADE DEBTS			
Secured			
Considered good		158,208	76,918
Unsecured			
Considered good		(67,591)	(19,514)
Considered doubtful		(30,706)	(30,706)
		98,297	50,220
Impairment loss on trade debts	25.1	(30,706)	(30,706)
		225,799	96,432
25.1 Movement in impairment loss on trade debts			
Opening balance		30,706	21,263
Impairment loss during the year		–	10,943
Reversal of impairment loss during the year		–	(1,500)
Closing balance		30,706	30,706

Rupees in '000	Note	2020	2019

26 ADVANCES

Unsecured			
Advances - considered good			
Staff		893	908
Suppliers for goods and services		52,731	33,504
Advances to others		393	65
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		54,017	34,477

27 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits - leasing companies		19,776	9,367
Security deposits - others	27.1 & 27.2	36,967	30,207
Prepayments		9,359	10,718
		66,102	50,292

27.1 This includes cash margin on guarantee to Punjab Power Development Board - PPDB and container security deposit related to import of raw material scrap amounting to Rs. 3.675 million (2019: Nil).

27.2 This includes Rs. 28.625 million (2019: Rs. 28.625 million) in respect of cost of interconnectivity of 11 KV feeder paid to FESCO under Power Purchase Agreement (PPA) for sale of 4-6 MW power. Under the PPA, initially this cost was required to be borne by the Group. However, it is agreed that the cost so incurred will be paid back to the Group by FESCO in five years time through ten (10), half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

28 INVESTMENTS

Fair value through profit or loss (FVTPL)

The Group holds investments in ordinary shares of Rs. 10 each in the following listed investee company.

2020	2019		Note	2020	2019
Number of shares		Name of Investee Company		Rupees in '000	
8,189,950	9,625,793	Quoted - Investments	28.1	339,692	404,787
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				–	–
			28.3	339,692	404,787

28.1 Quoted - Investments

The Group holds investments in ordinary shares of listed companies and certificates of close end mutual funds. The face value of the shares is Rs. 10 per share unless otherwise stated. Details are as follows.

2020	2019	Name of investee company	2020	2019
(Number of share / certificates)			Rupees in '000	
-	6,300	Attock Cement Pakistan Limited	-	450
-	40,000	Attock Petroleum Limited	-	2,856
158,400	140,000	Avanceon Limited	5,602	6,866
-	25,750	Cherat Cement Company Limited	-	1,083
390,500	530,000	D.G. Khan Cement Company Limited	33,322	29,966
215,000	295,000	Engro Fertilizer Limited	12,960	18,871
125,000	125,000	Fauji Cement Company Limited	2,110	1,966
143,000	145,000	Fauji Fertilizer Company Limited	15,728	12,644
2,405,000	2,405,000	HBL Growth Fund - Class A	18,038	24,844
764,673	764,673	HBL Investment Fund - Class A	2,050	3,097
68,500	68,500	Hi-Tech Lubricants Limited	2,074	1,895
206,680	178,800	International Industries Limited	9,398	13,780
69,250	71,250	Interloop Limited	3,041	3,154
313,000	313,000	International Steels Limited	25,728	12,430
750,000	1,800,000	K-Electric Limited *	2,258	7,902
25,000	66,080	Kohat Cement Limited	3,436	3,471
500,000	500,000	Kohinoor Energy Limited	17,490	18,000
280,000	300,000	Loads Limited	3,892	4,533
715	3,300	Mari Petroleum Company Limited	884	3,330
95,750	62,750	Meezan Bank Limited	6,592	5,469
4,500	10,000	Millat Tractors Limited	3,178	8,624
166,000	231,400	Nishat Mills Limited	12,950	21,598
205,000	291,000	Nishat Power Limited	4,643	8,014
275,700	272,700	Oil and Gas Development Company Limited	30,051	35,857
78,200	95,640	Pakistan Oilfields Limited	27,419	38,819
408,840	409,200	Pakistan Petroleum Limited	35,479	59,101
280,752	228,960	Pakistan State Oil Company Limited	44,404	38,840
234,000	220,000	The Hub Power Company Limited	16,965	17,327
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
			339,782	404,877
		Less: Provision for impairment	(90)	(90)
8,189,950	9,625,793		339,692	404,787

* The face value of these ordinary shares is Rs. 3.5 per share.

28.2 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 14.5) are as follows:

Rupees in '000	**2020**	2019
Name of investee company		
Altern Energy Limited (Long term investment)	1,468,823	1,928,552
Attock Cement Pakistan Limited	-	450
Attock Petroleum Limited	-	2,856
Avanceon Limited	4,473	3,678
Cherat Cement Company Limited	-	1,083
D.G. Khan Cement Company Limited	20,267	29,966
Engro Fertilizer Limited	12,960	18,871
Fauji Cement Company Limited	2,110	1,966
Fauji Fertilizer Company Limited	14,079	12,644
HBL Growth Fund - Class A	2,048	2,025
HBL Investment Fund - Class A	6,394	1,069
Hi-Tech Lubricants Limited	2,074	1,895
International Industries Limited	18,959	13,780
International Steel Limited	16,167	12,430
K-Electric Limited *	2,258	7,902
Kohat Cement Limited	3,436	3,471
Loads Limited	3,892	4,533
Mari Petroleum Company	884	3,330
Meezan Bank Limited	6,592	4,576
Millat Tractors Limited	3,178	8,624
Nishat Mills Limited	12,950	21,598
Nishat Power Limited	4,643	8,014
Oil and Gas Development Company Limited	24,056	35,857
Pakistan Oilfields Limited	27,419	38,210
Pakistan Petroleum Limited	28,034	56,934
Pakistan State Oil Company Limited	44,404	37,990
The Crescent Textile Mills Limited	132,257	138,228
The Hub Power Company Limited	9,425	16,537
	1,871,782	2,417,069

* The face value of these ordinary shares is Rs. 3.5 per share.

28.3 This represents investment in ordinary shares of listed companies and certificates of mutual funds. Under IAS 39, these were classified as held for trading whereas under IFRS 9 these have been classified and held as FVTPL. This also includes investment in Jubilee Spinning and Weaving Mills Limited and Innovative Investment Bank Limited, which had been fully provided for as the break-up value of their shares was Rs. Nil per share (2019: Nil). Under IAS 39, these were classified as available for sale and reclassified to FVTPL on initial application of IFRS 9 as management has not designated it as FVOCI.

Rupees in '000	Note	2020	2019
29 OTHER RECEIVABLES			
Dividend receivable		885	974
Provision there against		(885)	(885)
Dividend receivable		-	89
Receivable against investments	29.1	17,723	17,725
Provision there against		(17,723)	(17,722)
Receivable against sale of investments		-	3
Receivable against rent from investment property		305	320
Claim receivable		989	-
Due from related parties	29.2	1,102	2,669
Sales tax refundable	29.3	154,859	187,870
Margin on letter of credit and guarantee		15,359	15,359
Receivable from staff retirement benefits funds	46	24,995	20,329
Mark-up accrued		29	29
Others		9,766	6,005
		207,404	232,673

29.1 This includes Rs. 16.5 million provided to the party under buying and selling agreements of a commodity. However, due to uncertainty of the recovery of the amount, provision there against has been made.

29.2 This represents amount due from Crescent Steel and Allied Products Limited - Pension Fund and Shakarganj Limited amounting to Rs. Nil (2019: Rs. 0.053 million) and Rs. 1.102 million (2019: Rs. 2.616 million), respectively. Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances is Rs. 0.053 million (2019: Rs. 0.053 million) and Rs. 1.102 million (2019: Rs. 5.627 million), respectively and amounts are 180 days past due (2019: 180 days past due).

29.3 Sales tax refundable

29.3.1 This includes payment made to Punjab Revenue Authority against order received for non withholding of Punjab sales tax on services and its deposit with Punjab Revenue Authority. Currently, the appeal is pending adjudication at the Appellate Tribunal Inland Revenue - PRA. After consultation with legal advisor, the management considers that the appeal would be decided in the Holding Company's favour.

29.3.2 During the year, order under section 11 of the Sales Tax Act, 1990 has been issued where demand of Rs. 1.83 million has been raised in respect of alleged short deposit of sales tax to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal has been preferred with the Commissioner Appeals which is pending adjudication.

29.3.3 In the previous years, the Holding Company has adopted fixed regime of sales tax whereby sales tax liability is discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis. FBR did not agree to the Holding Company's stance owing to which the Holding Company filed writ petition no. 243530/2018 in Lahore High Court. The writ was allowed but later on, the department filed ICA No. 23517/2019 before High Court which is sub judice. No proceedings have been held since but management is confident of favourable outcome in light of the tax opinion which advices that the Holding Company has a good case.

Rupees in '000	2020	2019
30 TAXATION - NET		
Advance taxation	3,856,291	3,750,269
Provision for taxation	(2,583,951)	(2,490,729)
	1,272,340	1,259,540

30.1 The Income Tax assessments of the Holding Company have been finalized up to and including tax year 2017, except for pending appeal effect orders in respect of tax years 2002 and 2003. Deemed assessments for certain tax years have been amended by the department on account of various issues as explained below:

Income tax assessments of the Holding Company for the tax years 2013 and 2016 have been amended by the Commissioner Inland Revenue whereby, tax demands of Rs. 95.94 million and Rs. 143.8 million have been raised, respectively. Appeals had been preferred with the Commissioner Appeals where most of the issues were decided in favour of the Holding Company whereas for remaining issues, appeals have been preferred before the Appellate Tribunal Inland Revenue for these Tax Years which are pending adjudication. Cross appeal in Tax Year 2016 has been filed by the tax department which also awaits adjudication.

The Additional Commissioner Inland Revenue amended the deemed assessment of the company for Tax Year 2009 and Tax Year 2011 thereby raising demands of Rs. 4.937 million and Rs. 22.218 million, respectively. The Holding Company filed appeals with the Commissioner Inland Revenue (Appeals) in which majority of the issues were decided in the Holding Company's favour in 2009 and case was remanded back to the assessing officer for 2011. The Holding Company filed appeal with the Appellate Tribunal for 2009 which is pending adjudication where as for 2011, set aside proceedings have been initiated which have been duly responded to.

Orders under section 161/205 of the Income Tax Ordinance, 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 8.691 million (inclusive of default surcharge) has been raised in respect of Tax Year 2014 and Rs. 5.794 million in respect of Tax Year 2010. Majority of the matters have decided in favour of the Holding Company at the Commissioner (Appeals) level, whereas appeals have been preferred in Appellate Tribunal Inland Revenue for remaining issues.

Orders under section 161/205 of the Income Tax Ordinance, 2001, have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 4.253 million (inclusive of default surcharge) has been raised in respect of Tax Year 2017. Appeal was preferred with the Commissioner Inland Revenue (Appeals) where majority of issues were decided in the Holding Company's favour along with rectification of original order. Appeal has been preferred with the Appellate Tribunal Inland Revenue for remaining issues which is pending adjudication.

Income tax assessment for the year 2006 was proposed to be amended where case was decided in the Holding Company's favour by the Appellate Tribunal Inland Revenue. Department has now filed case in the Lahore High Court challenging the tribunal's decision, which is pending to be heard.

Order under section 161/205 of the Income Tax Ordinance, 2001, was issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 46.78 million was raised in respect of Tax Year 2017 in relation to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal was preferred to the Commissioner (Appeals) who remanded the case back to officer, where the remand back proceedings were concluded and demand raised of Rs. 1.8 million was settled by the Holding Company out of available refunds. Associated expense has been recognised accordingly in these consolidated financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2016 and 2018 where demands of Rs. 0.6 million and Rs. 1.56 million were raised, respectively. These amounts were settled by the Holding Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2014 and 2015 where demands of Rs. 0.025 million and Rs. 0.318 million were raised, respectively for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these consolidated financial statements.

Assessment for the year 2016 was amended and demand of Rs. 0.075 million was raised for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these consolidated financial statements.

No provision has been made in these consolidated financial statements in respect of tax years as mentioned above, since based on the tax consultant's opinion the management is confident of favourable outcome of these appeals.

Rupees in '000	Note	**2020**	2019
31 CASH AND BANK BALANCES			
With banks			
- in saving accounts	31.1	731	6,322
- in current accounts		22,189	20,881
	31.2	22,920	27,203
Cash in hand		828	2,417
		23,748	29,620

31.1 Mark-up rate on saving account ranged between 6.5% to 11.3% (2019: 2.4% to 6.5%) per annum.

31.2 This includes balances amounting to Rs. 1.765 million (2019: Rs. 3.287 million) with Shariah compliant banks.

Rupees in '000	**2020**	2019
32 SALES - NET		
Local sales		
Bare pipes	1,017,793	319,247
Steel billets	983,209	2,642,203
Pipe coating	86,604	233,976
Pre coated pipes	298,513	1,996,516
Cotton yarn / raw cotton	1,567,180	1,667,951
Electricity sales	136,026	126,462
Steam sales	113,507	61,447
Others	56,149	73,430
Scrap / waste	214,029	167,325
Sales returns	-	(3,262)
	4,473,010	7,285,295
Sales tax	(650,808)	(431,727)
	3,822,202	6,853,568

32.1 Revenue is disaggregated by major products and also by geographical market. Additionally, revenue by major customer is disclosed in note 45 to these consolidated financial statements.

Rupees in '000	Note	**2020**	2019
33 COST OF SALES			
Steel segment	33.1	1,257,531	2,012,588
Cotton segment	33.1	1,320,153	1,579,451
Energy segment	33.1	299,194	476,031
Hadeed (Billet) segment	33.1	894,428	2,909,663
		3,771,306	6,977,733

			Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		Total	
Rupees in '000		Note	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
33.1	Cost of sales											
	Raw materials consumed		934,627	1,643,911	944,862	1,173,444	227,662	355,403	652,086	1,800,479	2,759,237	4,973,237
	Packing materials consumed		-	-	13,372	16,835	-	-	-	-	13,372	16,835
	Stores and spares consumed		33,435	60,063	17,379	18,600	4,746	12,398	21,554	72,775	77,114	163,836
	Fuel, power and electricity		33,944	(190,029)	206,026	204,407	77	-	1,242	505,712	241,289	520,090
	Salaries, wages and other benefits	33.2	120,005	139,238	132,488	125,505	5,529	26,898	22,216	51,676	280,238	343,317
	Insurance		3,944	4,705	2,874	2,583	644	1,062	1,023	941	8,485	9,291
	Commission		-	-	4,394	4,713	-	-	-	-	4,394	4,713
	Repairs and maintenance		2,824	6,051	2,218	2,474	135	3,704	569	555	5,746	12,784
	Depreciation	16.1.2	60,831	60,810	27,897	29,250	60,391	60,602	51,451	52,417	200,570	203,079
	Rental under Ijarah financing		68,200	91,592	-	-	-	-	-	-	68,200	91,592
	Other expenses		72,493	147,592	-	6,937	10	15,964	144,287	188,757	216,790	359,250
			1,330,303	1,963,933	1,351,510	1,584,748	299,194	476,031	894,428	2,673,312	3,875,435	6,698,024
	Opening stock of work-in-process		15,854	10,288	9,142	9,425	-	-	-	-	24,996	19,713
	Closing stock of work-in-process	24	(39,329)	(15,854)	(7,179)	(9,142)	-	-	-	-	(46,508)	(24,996)
			(23,475)	(5,566)	1,963	283	-	-	-	-	(21,512)	(5,283)
	Cost of goods manufactured		1,306,828	1,958,367	1,353,473	1,585,031	299,194	476,031	894,428	2,673,312	3,853,923	6,692,741
	Opening stock of finished goods		120,524	174,745	11,074	5,494	-	-	-	236,351	131,598	416,590
	Closing stock of finished goods - net	24	(169,821)	(120,524)	(44,394)	(11,074)	-	-	-	-	(214,215)	(131,598)
			(49,297)	54,221	(33,320)	(5,580)	-	-	-	236,351	(82,617)	284,992
			1,257,531	2,012,588	1,320,153	1,579,451	299,194	476,031	894,428	2,909,663	3,771,306	6,977,733
33.2	Detail of salaries, wages and other benefits											
	Salaries, wages and other benefits	33.2.1	106,629	137,150	130,412	123,939	5,515	26,898	21,915	50,789	264,471	338,776
	Pension fund	33.2.2	8,920	205	-	-	-	-	-	-	8,920	205
	Gratuity fund	33.2.2	660	(1,632)	-	-	-	-	-	-	660	(1,632)
	Provident fund contributions		3,796	3,515	2,076	1,566	14	-	301	887	6,187	5,968
			120,005	139,238	132,488	125,505	5,529	26,898	22,216	51,676	280,238	343,317

33.2.1 This includes contribution amounting to Nil (2019: Rs. 0.06 million) to Staff Benevolent Fund ("the Fund"). The Fund has been established as separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of the Fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Holding Company. The Holding Company does not have any right in the residual interest of the Fund.

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
33.2.2 Staff retirement benefits				
Current service costs	5,174	1,616	4,283	1,564
Interest costs	19,829	4,184	11,564	2,964
Expected return on plan assets	(16,083)	(5,140)	(15,642)	(6,160)
	8,920	660	205	(1,632)

Rupees in '000	Note	2020	2019

34 INCOME / (LOSS) FROM INVESTMENTS - NET

	Note	2020	2019
Dividend income	34.1	25,047	37,502
Loss on sale of FVTPL investments - net	34.1	(4,135)	(28,820)
Loss on sale of investment in commodity		(7)	-
Unrealized gain / (loss) on FVTPL investments - net	34.1	35,496	(83,211)
Rent from investment properties	34.2	5,731	6,494
		62,132	(68,035)

34.1 Break up of dividend income, realised loss and unrealised gain is as follows:

Rupees in '000

Name of investee company	Dividend income	Realised loss	Unrealised gain
Shariah compliant investee companies	13,406	(3,477)	(5,956)
Non-Shariah compliant investee companies	11,641	(658)	41,452
	25,047	(4,135)	35,496

34.1.1 Income from investment was categorised as Shariah / Non-Shariah compliant investee companies on the basis of All Shares Islamic Index as circulated by the Pakistan Stock Exchange.

34.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 3.583 million (2019: Rs. 3.246 million). Further, Rs. 2.258 million (2019: Rs. 2.179 million) were incurred against the non rented out area.

35 DISTRIBUTION AND SELLING EXPENSES

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits	35.1	3,046	3,640	1,917	1,599	70	649	5,033	5,888
Travelling, conveyance and entertainment		- 1,207	450	49	69	43	192	1,299	711
Depreciation	16.1.2	909	963	-	-	199	199	1,108	1,162
Insurance		22	118	-	-	20	34	42	152
Postage, telephone and telegram		48	43	42	51	17	29	107	123
Advertisement		31	1,644	-	-	-	-	31	1,644
Bid bond expenses		450	747	-	-	-	-	450	747
Legal and professional charges		1,362	3,518	-	-	-	-	1,362	3,518
Others		2,429	743	1,183	1,200	280	-	3,892	1,943
		9,504	11,866	3,191	2,919	629	1,103	13,324	15,888

35.1 Detail of salaries, wages and other benefits

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits		2,188	3,449	1,917	1,599	70	617	4,175	5,665
Pension fund	35.1.1	637	52	-	-	-	-	637	52
Gratuity fund	35.1.1	47	(388)	-	-	-	-	47	(388)
Provident fund contributions		174	527	-	-	-	32	174	559
		3,046	3,640	1,917	1,599	70	649	5,033	5,888

	2020		2019	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
35.1.1 Staff retirement benefits				
Current service costs	370	115	1,095	372
Interest costs	1,416	299	2,956	704
Expected return on plan assets	(1,149)	(367)	(3,999)	(1,464)
	637	47	52	(388)

36 ADMINISTRATIVE EXPENSES

		Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		IID segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits	36.1	98,859	70,994	21,135	15,861	2,887	282	8,000	5,793	9,290	7,351	140,171	100,281
Rents, rates and taxes		1,926	1,380	371	323	65	-	268	890	884	582	3,514	3,175
Travelling, conveyance and entertainment		3,931	4,963	779	953	134	-	313	811	263	289	5,420	7,016
Fuel and power		7,795	8,396	1,214	1,222	259	-	2,145	-	427	468	11,840	10,086
Postage, telephone and telegram		1,663	1,873	392	403	43	-	115	110	103	106	2,316	2,492
Insurance		1,942	1,316	302	280	284	-	60	48	179	120	2,767	1,764
Repairs and maintenance		5,569	9,947	414	463	50	610	147	865	994	1,507	7,174	13,392
Auditors' remuneration	36.2	2,138	2,318	583	618	153	280	157	171	384	412	3,415	3,799
Legal, professional and corporate service charges		23,226	13,124	5,944	2,696	1,021	76	2,006	2,644	3,275	3,168	35,472	21,708
Advertisement		367	1,735	10	13	6	-	10	-	20	91	413	1,839
Donations	36.3	480	2,694	-	-	5	-	7	-	26	142	518	2,836
Depreciation	16.1.2 & 18.1	15,481	18,208	3,033	3,368	321	-	2,378	1,962	5,137	4,828	26,350	28,366
Amortization of intangible assets	17.1.1	164	198	31	39	4	577	4	1,874	8	10	211	2,698
Printing, stationery and office supplies		1,436	2,137	355	512	11	12	25	-	145	212	1,972	2,873
Newspapers, subscriptions and periodicals		287	330	360	494	517	-	13	-	26	25	1,203	849
Others		5,073	5,941	1,059	1,137	134	19	571	-	393	2,069	7,230	9,166
		170,337	145,554	35,982	28,382	5,894	1,856	16,219	15,168	21,554	21,380	249,986	212,340
36.1 Detail of salaries, wages and other benefits													
Salaries, wages and other benefits		71,548	69,019	20,411	15,382	2,768	282	7,770	5,714	8,979	7,351	111,476	97,748
Pension fund	36.1.1	22,300	546	-	-	-	-	-	-	-	-	22,300	546
Gratuity fund	36.1.1	1,650	(3,463)	-	-	-	-	-	-	-	-	1,650	(3,463)
Provident fund contributions		3,361	4,892	724	479	119	-	230	79	311	-	4,745	5,450
		98,859	70,994	21,135	15,861	2,887	282	8,000	5,793	9,290	7,351	140,171	100,281

	2020		2019	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
36.1.1 Staff retirement benefits				
Current service costs	12,934	4,040	11,384	3,319
Interest costs	49,573	10,460	30,733	6,289
Expected return on plan assets	(40,207)	(12,850)	(41,571)	(13,071)
	22,300	1,650	546	(3,463)

Rupees in '000	Note	2020	2019
36.2 Auditors' remuneration			
Audit fee	36.2.1	2,415	2,478
Certifications and other assurance services		480	808
Out of pocket expenses		268	244
Sales tax		252	269
		3,415	3,799

36.2.1 Audit fee includes services for audit of annual unconsolidated and consolidated financial statements of the Holding Company and the individual financial statements of the subsidiary companies, limited review of unconsolidated condensed interim financial information for the six months period of the Holding Company, review report on statement of compliance with best practices of the Code of Corporate Governance and audit of reconciliation statement of nominee shareholding of Central Depository Company of Pakistan Limited.

36.3 Donations

Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of the donee	Amount donated 2020	2019
			Rupees in '000	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	269	1,076

36.3.1 Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

36.3.2 Donations include the following in which directors are not interested:

Name of the donee	Amount donated 2020	2019
	Rupees in '000	
Crescent Model Higher Secondary School	-	1,500
Others	249	260
	249	1,760

Rupees in '000	2020	2019

37 OTHER OPERATING EXPENSES

Exchange loss	25,958	21,893
Impairment loss on trade debts	–	10,943
Provision for:		
- Workers' Profit Participation Fund	–	3,633
- Workers' Welfare Fund	–	474
- Slow moving stores, spares and loose tools - net	–	23,187
Liquidated damages	–	3,727
Others	–	7,330
	25,958	71,187

38 OTHER INCOME

Income from financial assets		
Return on deposits - from conventional banking	859	1,181
Unwinding of discount on long term deposit	2,415	19,798
	3,274	20,979
Income from non-financial assets		
Gain on disposal of operating fixed assets	1,101	12,674
Deferred income amortized	6,825	5,834
Exchange gain	–	395
Insurance commission	1,318	306
Liabilities written back	1,029	1,285
Reversal of impairment of trade debts	–	1,500
Reversal of provision for slow moving stores, spares and loose tools	15,366	–
Rent income	5,010	4,279
Others	1,517	744
	32,166	27,017
	35,440	47,996

39 FINANCE COSTS

Mark-up on short term loans - Shariah arrangement	55,064	83,554
Interest on Non-Shariah arrangement		
- finance lease obligations	16,475	14,954
- long term loans	32,086	35,953
- running finances	150,992	128,058
- short term loans	50,494	42,074
Discounting of long term deposit	–	2,080
Bank charges	9,998	11,146
	315,109	317,819

Rupees in '000	2020	2019
40 SHARE OF PROFIT IN EQUITY ACCOUNTED INVESTEES - NET OF TAXATION		
Altern Energy Limited	370,961	290,096
Shakarganj Limited	(197,482)	106,665
	173,479	396,761
41 TAXATION		
Current		
- for the year	94,064	70,456
- for prior years	1,907	2,034
	95,971	72,490
Deferred	(358,534)	(17,791)
	(262,563)	54,699
41.1 Relationship between taxation expense and accounting loss		
Loss before taxation	(282,429)	(364,677)
Tax at the applicable rate of 29% (2019: 29%)	(81,904)	(105,756)
Tax effect of inadmissible expenses / losses	56,710	242,399
Tax effect of income taxed at a lower rate	(239,276)	158,233
Prior year tax effect	1,907	2,034
Tax losses of subsidiaries	–	(267,646)
Tax effect of change in effective tax rate	–	25,435
	(262,563)	54,699

41.2 Sufficient provision for tax has been made in these consolidated financial statements taking into account the profit for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including return filed and deemed assessed for last three years are as follows:

Rupees in '000	2019	2018	2017
Tax provision including effects of prior years	63,513	230,506	370,834
Tax assessed / return filed	63,513	194,464	336,365

Rupees in '000	2020	2019

42 BASIC AND DILUTED LOSS PER SHARE

	2020	2019
Loss for the year	(19,866)	(419,376)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted loss per share	(0.26)	(5.40)

Rupees in '000	2020	2019

43 CASH (USED IN) / GENERATED FROM OPERATIONS

	2020	2019
Loss before taxation	(282,430)	(364,677)
Adjustments for non cash charges and other items		
Depreciation on operating fixed assets and investment properties	228,028	232,974
Amortization of intangible assets	211	2,698
Charge / (reversal) for the year on staff retirement benefit funds	34,214	(4,680)
Dividend income	(25,047)	(37,502)
Unrealized (gain) / loss on FVTPL investments - net	(35,496)	83,211
Loss on sale of FVTPL investments - net	4,135	28,820
(Reversal) / provision for slow moving stores, spares and loose tools	(15,366)	23,187
Charge of impairment loss on trade debts - net	–	9,443
Provision for Workers' Welfare Fund	–	474
Provision for Workers' Profit Participation Fund	–	3,633
Return on deposits and investments	(859)	(1,181)
Gain on disposal of operating fixed assets	(1,101)	(12,674)
Deferred income	(6,825)	(5,834)
Discounting of long term deposit	-	2,080
Unwinding of discount on long term deposit	(2,415)	(19,798)
Liabilities written back	(1,029)	(1,285)
Finance costs	315,109	315,739
Share of profit from equity accounted investees - net of taxation	(173,479)	(396,761)
	37,650	(142,133)
Changes in:		
- Stores, spares and loose tools	31,918	2,542
- Stock-in-trade	(1,309,372)	1,446,739
- Trade debts	(129,367)	(23,555)
- Advances	(19,540)	(4,580)
- Trade deposits and short term prepayments	(15,810)	21,482
- Other receivables	29,502	160,960
- Trade and other payables	381,139	(1,033,213)
	(993,880)	428,242

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

Rupees in '000	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total
	9	10 & 13	14		
Opening balance as at 1 July 2019	287,546	154,799	730,751	26,525	1,199,621
Interest accrued on lease obligation	-	16,475	-	-	16,475
Discounting effect	(6,412)	-	-	-	(6,412)
	(6,412)	16,475	-	-	10,063
Proceeds from long term loans	50,852	-	-	-	50,852
Repayment of long term loans	(92,306)	-	-	-	(92,306)
Proceeds short term borrowings	-	-	1,585,852	-	1,585,852
Repayment of short term borrowings	-	-	(223,560)	-	(223,560)
Dividend paid	-	-	-	(82)	(82)
Lease payments	-	(59,675)	-	-	(59,675)
	(41,454)	(59,675)	1,362,292	(82)	1,261,081
Closing balance as at 30 June 2020	239,680	111,599	2,093,043	26,443	2,470,765

Rupees in '000	Note	2020	2019
44 CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements	14	(609,820)	(907,341)
Cash and bank balances	31	23,748	29,620
		(586,072)	(877,721)

45 SEGMENT REPORTING

45.1 Reportable segments

The Group's reportable segments under are as follows:

- Steel segment - It comprises of manufacturing and coating of steel pipes (note 1.2).
- Cotton segment - It comprises of manufacturing of yarn (note 1.3).
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and investment property (held for rentals as well as long term appreciation) (note 1.4).
- Energy segment - It comprises generation and supply of electricity (note 1.6).
- Hadeed (Billet) segment - It comprises of manufacturing billets (note 1.8).

Information regarding the Group's reportable segments is presented below.

45.2 Segment revenues and results

Following is an analysis of the Groups revenue and results by reportable segment:

For the year ended 30 June 2020

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	1,291,206	1,346,000	279,513	971,720	-	(66,237)	3,822,202
Cost of sales	1,257,531	1,320,153	299,194	960,665	-	(66,237)	3,771,306
Gross profit / (loss)	33,675	25,847	(19,681)	11,055	-	-	50,896
Loss from investments - net	-	-	-	-	(299,284)	361,416	62,132
	33,675	25,847	(19,681)	11,055	(299,284)	361,416	113,028
Distribution and selling expenses	9,504	3,191	-	629	-	-	13,324
Administrative expenses	170,337	35,982	5,894	16,219	21,554	-	249,986
Other operating expenses	23,237	4,641	-	(1,920)	-	-	25,958
	203,078	43,814	5,894	14,928	21,554	-	289,268
	(169,403)	(17,967)	(25,575)	(3,873)	(320,838)	361,416	(176,240)
Other income	22,919	9,636	(1,179)	4,064	-	-	35,440
Operating (loss) / profit before finance costs	(146,484)	(8,331)	(26,754)	191	(320,838)	361,416	(140,800)
Finance costs	245,722	18,347	3	35,560	15,476	-	315,108
Share of profit in equity accounted investees - net of taxation	-	-	-	-	173,479	-	173,479
(Loss) / profit before taxation	(392,206)	(26,678)	(26,757)	(35,369)	(162,835)	361,416	(282,429)
Taxation							(262,563)
Loss for the year							(19,866)

For the year ended 30 June 2019

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	2,381,405	1,685,110	398,648	2,642,203	-	(253,798)	6,853,568
Cost of sales	2,266,675	1,579,451	483,105	2,909,663	-	(261,161)	6,977,733
Gross profit / (loss)	114,730	105,659	(84,457)	(267,460)	-	7,363	(124,165)
Income / (loss) from investments - net	-	-	593	-	132,870	(201,498)	(68,035)
	114,730	105,659	(83,864)	(267,460)	132,870	(194,135)	(192,200)
Distribution and selling expenses	11,866	2,919	-	1,103	-	-	15,888
Administrative expenses	145,554	28,382	1,856	15,168	21,380	-	212,340
Other operating expenses	24,947	3,699	-	42,541	-	-	71,187
	182,367	35,000	1,856	58,812	21,380	-	299,415
	(67,637)	70,659	(85,720)	(326,272)	111,490	(194,135)	(491,615)
Other income	79,616	9,365	378	364	-	(41,727)	47,996
Operating profit / (loss) before finance costs	11,979	80,024	(85,342)	(325,908)	111,490	(235,862)	(443,619)
Finance costs	210,363	9,797	12,500	90,230	36,656	(41,727)	317,819
Share of profit in equity accounted investees - net of taxation	-	-	-	-	396,761	-	396,761
(Loss) / profit before taxation	(198,384)	70,227	(97,842)	(416,138)	471,595	(194,135)	(364,677)
Taxation							54,699
Loss for the year							(419,376)

45.2.1 Revenue reported above represents revenue generated from external customers and inter-segment sales of electricity by Energy segment to Hadeed (Billet) segment of Rs. 66.237 million (2019: Nil).

45.2.2 Transfer prices between reportable segments are on an agreed basis in a manner similar to transactions between third parties.

45.2.3 The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 6 to these consolidated financial statements. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, finance costs between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

45.3 Revenue from major products and services

The analysis of the Group's revenue from external customers for major products and services is given in note 32 to these consolidated financial statements.

45.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 1,057.732 million (2019: Rs. 4,891.885 million) of total Steel segment revenue of Rs. 1,291.206 million (2019: Rs. 2,381.405 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 322.400 million (2019: Rs. 251.736 million) of total Cotton segment revenue of Rs. 1,346 million (2019: Rs. 1,685.110 million). Revenue from major customers of Energy segment represent an aggregate amount of Rs. 116.261 million (2019: Rs. 398.648 million) of total Energy segment revenue of Rs. 279.513 million (2019: Rs. 398.648 million). Revenue from major customers of Hadeed (Billet) segment represent an aggregate amount of Rs. 688.167 million (2019: 2,251.755 million) of total Hadeed (Billet) segment revenue of Rs. 971.720 million (2019: Rs. 2,642.203 million).

45.5 Geographical information

45.5.1 All Group's revenue from external customers by geographical location is within Pakistan.

45.5.2 All non-current assets of the Group as at 30 June 2020 and 2019 were located and operating in Pakistan.

45.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2020						
Segment assets for reportable segments	2,934,338	506,150	809,174	846,220	1,143,380	6,239,262
Investment in equity accounted investees	-	-	-	-	3,087,141	3,087,141
Unallocated corporate assets						1,969,562
Total assets as per consolidated statement of financial position						11,295,965
Segment liabilities for reportable segments	756,225	269,746	118,597	57,488	30,470	1,232,526
Unallocated corporate liabilities and deferred income						3,055,175
Total liabilities as per consolidated statement of financial position						4,287,701

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2019						
Segment assets for reportable segments	1,826,902	430,823	878,184	1,218,378	1,169,324	5,523,611
Investment in equity accounted investees	-	-	278,027	-	2,988,879	3,266,906
Unallocated corporate assets						1,210,395
Total assets as per consolidated statement of financial position						10,000,912
Segment liabilities for reportable segments	570,025	106,822	118,522	140,995	66,702	1,003,066
Unallocated corporate liabilities and deferred income						2,041,764
Total liabilities as per consolidated statement of financial position						3,044,830

45.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and

- all liabilities are allocated to reportable segments other than those directly relating to corporate and taxation;

Cash and bank balances, borrowings and related mark-up receivable therefrom and payable thereon, respectively are not allocated to reporting segments as these are managed by the Group's central treasury function.

45.7 Other segment information

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
For the year ended 30 June 2020						
Capital expenditure	8,539	-	-	-	-	8,539
Depreciation and amortization	77,386	30,961	60,716	54,032	5,145	228,240
Non-cash items other than depreciation and amortization	258,812	13,721	1,182	32,536	(214,410)	91,841
For the year ended 30 June 2019						
Capital expenditure	144,094	5,761	3,348	2,446	10,760	166,409
Depreciation and amortization	80,179	32,657	61,546	56,452	4,838	235,672
Non-cash items other than depreciation and amortization	187,672	37,626	(335)	76,305	(314,397)	(13,129)

46 STAFF RETIREMENT BENEFITS

46.1 Defined benefit plans

46.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2020. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2020		2019	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost in profit or loss charge	14.50%	14.50%	10.00%	10.00%
- Discount rate used for year end obligation	9.25%	8.50%	14.50%	14.50%
- Expected rate of increase in salaries	N/A	N/A	14.50%	14.50%
Demographic assumptions				
- Retirement assumption	Age 58		Age 58	
- Expected mortality for active members	SLIC (2001-05)		SLIC (2001-05)	

46.1.2 The amounts recognized in consolidated statement of financial position are as follows:

		2020			2019		
Rupees in '000	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	46.1.4	477,700	107,085	584,785	494,294	104,884	599,178
Fair value of plan assets	46.1.5	(453,987)	(132,080)	(586,067)	(393,748)	(125,213)	(518,961)
Liability / (asset) recognized in consolidated statement of financial position		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

46.1.3 Movement in the net defined benefit liability / (asset)

	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Opening balance		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
Net benefit cost / (income) charged to consolidated profit or loss	46.1.7	31,857	2,357	34,214	804	(5,484)	(4,680)
Remeasurements recognized in consolidated other comprehensive income	46.1.8	(92,143)	(594)	(92,737)	267,915	95,834	363,749
Contributions by the Holding Company	46.1.5	(16,547)	(6,429)	(22,976)	(17,167)	(6,598)	(23,765)
Closing balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

46.1.4 Movement in the present value of defined benefit obligations

	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations - 1 July	494,294	104,884	599,178	457,906	101,625	559,531
Current service costs	18,477	5,771	24,248	16,763	5,254	22,017
Interest costs	70,818	14,943	85,761	45,252	9,957	55,209
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Remeasurement:						
Actuarial losses from changes in financial assumptions	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Present value of defined benefit obligations - 30 June	477,700	107,085	584,785	494,294	104,884	599,178

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
46.1.5 Movement in the fair value of plan assets are as follows:						
Fair value of plan assets - 1 July	393,748	125,213	518,961	608,912	205,706	814,618
Contributions by the Holding Company	16,547	6,429	22,976	17,167	6,598	23,765
Interest income on plan assets	57,438	18,357	75,795	61,211	20,695	81,906
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Return on plan assets, excluding interest income	(1,952)	(14,258)	(16,210)	(282,782)	(103,670)	(386,452)
Fair value of plan assets - 30 June	453,987	132,080	586,067	393,748	125,213	518,961
46.1.6 Actual return on plan assets	55,486	4,099	59,585	(221,571)	(82,975)	(304,546)

46.1.7 Following amounts have been charged in the consolidated profit or loss in respect of these benefits:

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
Current service costs	18,477	5,771	24,248	16,763	5,254	22,017
Interest costs	70,818	14,943	85,761	45,252	9,957	55,209
Expected return on plan assets	(57,438)	(18,357)	(75,795)	(61,211)	(20,695)	(81,906)
Charge / (income) recognized in consolidated profit or loss	31,857	2,357	34,214	804	(5,484)	(4,680)

46.1.8 Following amounts of remeasurements have been charged in consolidated other comprehensive income in respect of these benefits

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
Remeasurement:						
Actuarial losses from changes in financial assumptions	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Return on plan assets, excluding interest income	1,952	14,258	16,210	282,782	103,670	386,452
Remeasurement (income) / loss recognised in the consolidated other comprehensive income	(92,143)	(594)	(92,737)	267,915	95,834	363,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
46.1.9 Total defined benefit cost recognized in consolidated profit or loss and other comprehensive income	(60,286)	1,763	(58,523)	268,719	90,350	359,069
Expected contributions to funds in the following year	-	-	-	-	-	-
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	32	-		30	-	
Beneficiaries	80	79		86	85	
Vested / Non-Vested						
Vested benefits	453,355	90,909	544,264	468,640	84,014	552,654
Non - vested benefits	24,345	16,176	40,521	25,654	20,870	46,524
	477,700	107,085	584,785	494,294	104,884	599,178
Disaggregation of fair value of plan assets						
The fair value of the plan assets at reporting date for each category are as follows:						
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted	19,723	4,137	23,860	90,870	3,726	94,596
Debt instruments						
AA+	183,337	25,613	208,950	83,142	33,209	116,351
AA / AA-	230	-	230	230	-	230
	183,567	25,613	209,180	83,372	33,209	116,581
Equity instruments						
Automobile Parts and Accessories	74	-	74	149	-	149
Cement	7,396	-	7,396	4,560	-	4,560
Chemicals	212	-	212	449	-	449
Commercial Banks	269	-	269	-	-	-
Engineering	183,674	87,443	271,117	152,320	72,588	224,908
Fertilizer	6,129	325	6,454	6,203	258	6,461
Insurance	63	-	63	76	-	76
Oil and Gas Exploration Companies	8,098	2,622	10,720	10,501	3,125	13,626
Oil and Gas Marketing Companies	803	-	803	636	-	636
Paper and Board	5	-	5	177	-	177
Pharmaceuticals	147	-	147	-	-	-
Power Generation and Distribution	18,732	7,250	25,982	19,936	7,875	27,811
Sugar and Allied Industries	5,740	1,691	7,431	5,433	1,600	7,033
Textile Composite	2,584	-	2,584	2,673	-	2,673
	233,926	99,331	333,257	203,113	85,446	288,559
Mutual funds						
Income Fund	16,771	2,999	19,770	16,393	2,832	19,225
	453,987	132,080	586,067	393,748	125,213	518,961

Sensitivity analysis

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

Rupees in '000	Pension	Gratuity
Discount rate +1%	430,963	104,507
Discount rate -1%	534,342	110,084
Long term pension / salary increase +1%	486,529	110,072
Long term pension / salary decrease -1%	469,957	104,470
Long term pension increase +1%	529,731	-
Long term pension decrease -1%	433,145	-

The actuary of the Holding Company has assessed that present value of future refunds or reduction in future contribution is not lower than receivable from pension and gratuity funds recorded by the Holding Company.

46.2 Defined contribution plan

The Group has set up provident fund for its permanent employees. The total charge against provident fund for the year ended 30 June 2020 was Rs. 11.106 million (2019: Rs. 11.977 million). Reporting year end of Provident Fund Financial Statements is 31 December and 30 June for Steel & IID Division, and Cotton & Hadeed Division, respectively.

47 FINANCIAL RISK MANAGEMENT

Fair value is defined as 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.

Level 1 : Fair value measurements using quoted (unadjusted) prices in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Rupees in '000	30 June 2020								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	339,692	132,868	-	-	472,560	472,560	-	-	472,560
- Unlisted equity securities	598,571	-	-	-	598,571	-	-	598,571	598,571
	938,263	132,868	-	-	1,071,131	472,560	-	598,571	1,071,131
Financial assets not measured at fair value									
Deposits	-	-	281,491	-	281,491	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Other receivables	-	-	27,550	-	27,550	-	-	-	-
Cash and bank balances	-	-	23,748	-	23,748	-	-	-	-
	-	-	558,588	-	558,588	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	239,680	239,680	-	-	-	-
Lease liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	762,271	762,271	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
Mark-up accrued	-	-	-	55,112	55,112	-	-	-	-
Short term borrowings	-	-	-	2,702,863	2,702,863	-	-	-	-
	-	-	-	3,897,656	3,897,656	-	-	-	-

Rupees in '000	30 June 2019								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	404,787	138,867	-	-	543,654	543,654	-	-	543,654
- Unlisted equity securities	549,984	-	-	-	549,984	-	-	549,984	549,984
	954,771	138,867	-	-	1,093,638	543,654	-	549,984	1,093,638
Financial assets not measured at fair value									
Deposits	-	-	275,886	-	275,886	-	-	-	-
Trade debts	-	-	96,432	-	96,432	-	-	-	-
Other receivables	-	-	24,445	-	24,445	-	-	-	-
Cash and bank balances	-	-	29,620	-	29,620	-	-	-	-
	-	-	426,383	-	426,383	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	287,546	287,546	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	154,296	154,296	-	-	-	-
Trade and other payables	-	-	-	442,204	442,204	-	-	-	-
Unclaimed dividend	-	-	-	26,525	26,525	-	-	-	-
Mark-up accrued	-	-	-	43,864	43,864	-	-	-	-
Short term borrowings	-	-	-	1,638,092	1,638,092	-	-	-	-
	-	-	-	2,592,527	2,592,527	-	-	-	-

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

Investment properties' fair values have been determined by professional valuers (Level 3 measurement) based on their assessment of the market values as disclosed in note 18.2. The valuations are conducted by the valuation experts appointed by the Group. The valuation experts used a market based approach to arrive at the fair value of the Group's investment properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

47.1 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values at 30 June 2020 for unquoted equity investment measured at fair value in the statement of financial position, as well as the significant unobservable inputs used:

Name of investee company	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
- Shakarganj Food Products Limited	- Discounted cash flows with terminal growth: The valuation model considers the present value of expected free cash flows, discounted using weighted average cost of capital.	- Expected cash flows - Terminal growth rate - Weighted average cost of capital	The estimated fair value would increase / (decrease) if: - The expected free cash flows were higher / (lower) - The terminal growth rate were higher / (lower) - The weighted average cost of capital were lower / (higher)
- Central Depository Company of Pakistan Limited	- Net asset method: This valuation method considers net asset value divided by ordinary number of shares	- Net assets of the investee Company	The estimated fair value would increase / (decrease) if: - The net assets of the investee Company were higher / (lower).

47.2 Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Rupees in '000	
Balance at 30 June 2019	
- Shakarganj Food Products Limited	425,583
- Central Depository Company of Pakistan Limited	124,401
	549,984
Fair value recognized during the year	
- Shakarganj Food Products Limited	36,876
- Central Depository Company of Pakistan Limited	11,711
	48,587
Balance at 30 June 2020	
- Shakarganj Food Products Limited	462,459
- Central Depository Company of Pakistan Limited	136,112
	598,571

Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2020 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Profit or loss	
Rupees in '000	Increase	Decrease
Shakarganj Food Products Limited		
- Expected cash flows (10% movement)	51,833	(51,880)
- Terminal growth rate (1% movement)	33,866	(28,504)
- Weighted Average Cost of Capital (1% movement)	(43,462)	51,787
Central Depository Company of Pakistan Limited		
- Net assets (10% movement)	13,611	(13,611)

48 FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

48.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Group. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represent the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

Rupees in '000	**2020**	2019
Deposits	281,491	275,886
Trade debts	225,799	96,432
Other receivables	27,550	24,474
Bank balances	22,920	27,203
	557,760	423,995

Trade and other receivables

To manage exposure to credit risk in respect of trade and other receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of Cotton segment's sales to reduce the credit risk.

All the trade debtors at the reporting date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of division is as follows:

Rupees in '000	**2020**	2019
Steel segment	173,948	64,149
Cotton segment	2,691	4,949
Energy segment	4,637	16,493
Hadeed (Billet) segment	44,523	10,841
	225,799	96,432
The aging of trade debts at reporting date is:		
Not past due	54,034	9,400
Past due 1 - 30 days	135,038	55,578
Past due 30 - 180 days	23,109	18,936
Past due 180 days	44,324	43,224
	256,505	127,138
Less: Impaired	30,706	30,706
	225,799	96,432

The movement in the allowances for impairment in respect of trade debts and advances is given in note 25.1 and note 26 respectively.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance.

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Group's view of economic conditions over the expected lives of the trade debts.

Based on past experience the management believes that no impairment allowance is necessary, except mentioned above, in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

Settlement risk

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Group's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The Group kept its surplus funds with banks having good credit rating. Currently, the surplus funds are kept with banks having rating from AAA to A-.

The credit quality of the Group's bank balances and deposits and units of mutual fund can be assessed with reference to external credit ratings as follows:

	Rating		Rating	**2020**	2019
	Short term	Long term	Agency	Rupee in '000	
Mutual Funds					
HBL Growth Fund (A)	-	AM2+	VIS	18,038	24,844
HBL Investment Fund (A)	-	AM2+	VIS	2,050	3,097
				20,088	27,941

Deposits

The Group has provided security deposits as per the contractual terms with counterparties as security and does not expect material loss against those deposits.

Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. The Group does not have debt security at reporting date.

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

48.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Group. The Group is not materially exposed to liquidity risk as substantially all obligation / commitments of the Group are short term in nature and are restricted to the extent of available liquidity. In addition, the Group has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

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

Rupees in '000	2020						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
Financial liabilities							
Long term loans	239,680	-	281,197	18,783	49,064	111,162	102,188
Lease liabilities	111,287	-	124,742	31,118	23,589	38,797	31,238
Trade and other payables	762,271	-	762,271	762,271	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-
Mark-up accrued	55,112	-	55,112	55,112	-	-	-
Short term borrowings	2,702,863	2,702,863	-	-	-	-	-
	3,897,656	2,729,306	1,223,322	867,284	72,653	149,959	133,426

Rupees in '000	2019						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
Financial liabilities							
Long term loan	287,546	-	333,274	79,052	56,562	105,909	91,751
Lease liabilities	154,296	-	182,371	32,087	33,305	48,987	67,992
Trade and other payables	442,204	-	442,204	442,204	-	-	-
Unclaimed dividend	26,525	26,525	-	-	-	-	-
Mark-up accrued	43,864	-	43,864	43,864	-	-	-
Short term borrowings	1,638,092	1,638,092	-	-	-	-	-
	2,592,527	1,664,617	1,001,713	597,207	89,867	154,896	159,743

48.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

48.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores and spares and export of goods denominated in US Dollars (USD) and Euros. The Group's exposure to foreign currency risk for these currencies is as follows:

Rupees in '000	2020 USD	2020 Euro
Foreign creditors	–	–
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

	2019	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	-	-
Net exposure	-	-

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2020	2019	**2020**	2019
USD to PKR	158.78	136.27	168.05	160.05
Euro to PKR	175.66	155.34	188.61	182.32

Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against the USD and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

Effect on consolidated profit or loss

Rupees in '000	**2020**	2019
USD	130,545	–
Euro	1,925	–
	132,470	-

The weakening of the PKR against USD and Euro would have had an equal but opposite impact on the post tax profits.

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

48.3.2 Interest rate risk

At the reporting date, the interest rate profile of the Group's significant interest bearing financial instruments were as follows:

	2020	2019	**2020**	2019
	Effective interest rate (Percentage)		Carrying amount (Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Long term loan	10.12 - 14.99	7.91 - 14.42	239,680	287,546
Lease liabilities	7.24 - 18.42	10.61 - 17.6	111,287	154,296
Short term borrowings	9.79 - 16.18	7.68 - 14.86	2,702,863	1,638,092

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (increased) / decreased the consolidated profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit and loss 100 bp	
Rupees in '000	Increase	Decrease
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial liabilities	(30,538)	30,538
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial liabilities	(20,799)	20,799

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

48.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitors developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Group's gain / loss in case of Fair value through profit or loss (held for trading investments) and increase / decrease surplus on re-measurement of investments in case of Fair value through other comprehensive income (available for sale) investments as follows:

Rupees in '000	**2020**	2019
Effect on profit	33,969	40,479
Effect on equity	13,287	13,887
Effect on investments	47,256	54,366

The sensitivity analysis prepared is not necessarily indicative of the effects on the consolidated profit / equity and assets of the Group.

49 REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
Rupees in '000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Managerial remuneration	16,560	22,977	-	-	42,941	44,799	59,501	67,776
House rent	7,452	7,452	-	-	18,306	17,884	25,758	25,336
Utilities	1,656	1,656	-	-	3,687	3,577	5,343	5,233
Travelling expenses	1,068	2,581	-	-	49	-	1,117	2,581
Medical	1,196	1,736	-	-	2,027	2,088	3,223	3,824
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,352	2,367	3,731	3,746
- Pension fund	3,312	3,312	-	-	6,591	6,115	9,903	9,427
- Provident fund	1,656	1,656	-	-	3,184	2,899	4,840	4,555
Club subscription and								
expenses	647	1,131	-	-	270	217	917	1,348
Entertainment	-	390	-	-	90	90	90	480
Conveyance	-	-	-	-	-	970	-	970
Telephone	28	268	-	-	15	-	43	268
	34,954	44,538	-	-	79,512	81,006	114,466	125,544
Number of persons	1	1	-	-	16	15	17	16

49.1 The aggregate amount charged in respect of directors' fee paid to six (2019: six) directors is Rs. 3.6 million (2019: Rs. 2.380 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.820 million (2019: Rs. 1.820 million).

49.2 The chief executive and ten executives are provided with free use of company maintained cars, in accordance with their entitlements.

49.3 The chief executive, executives and their families are also covered under group life and hospitalization insurance. A director is also covered under group hospitalization scheme.

50 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Holding Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. All transactions with related parties are under agreed terms / contractual arrangements. Transactions between the Holding Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Transactions with related parties other than those disclosed elsewhere are as follows:

Rupees in '000				**2020**	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Altern Energy Limited	Associated company	17.60% holding	Dividend received	361,416	201,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Rupees in '000				2020	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Shakarganj Limited	Associated company	28.01% holding	Dividend paid	-	180
			Payments received	18,300	-
			Payments made	263	-
			Sales of finished goods	214,385	162,143
			Purchase of raw materials	227,662	162,547
			Services received	1,911	5,730
			Reimbursable expenses	10,908	2,967
			Rent expense	-	890
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	271	8,538
Premier Insurance Limited	Related party	Common directorship	Insurance premium	8,006	10,948
			Dividend paid	-	142
The Citizens Foundation	Related party	Common directorship	Donation given	269	1,076
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	4,270	4,274
			Dividend paid	-	75
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,416	6,598
			Dividend paid	-	1,821
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,549	17,167
			Dividend paid	-	3,925
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,288	17,905
			Dividend paid	-	124
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	843	998
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees welfare fund	Contribution made	-	-
			Dividend paid	-	36
Key management personnel	Related parties	Executives	Remuneration and benefits	94,053	61,501
			Dividend paid	-	108
Directors and their spouse	Related parties	Directors	Dividend paid	-	624

50.1 Sale of finished goods and raw materials, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.

50.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

50.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group. There were no transactions with the key management personnel during the year other than their terms of employment / entitlements.

50.4 Outstanding balances and other information with respect to related parties as at 30 June 2020 and 2019 are included in issued, subscribed and paid-up capital (note 7.1), trade and other payables (note 12.4), investment in equity accounted investees (note 19), other receivables (note 29.2), administrative expenses (note 36.3) and staff retirement benefits (note 46).

51 CAPITAL RISK MANAGEMENT

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern, in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2019.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

51.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows:

Rupees in '000	Note	**2020**	2019
Total debt	51.1.1	3,053,830	2,079,934
Less: Cash and bank balances		23,748	29,620
Net debt		3,030,082	2,050,314
Total equity	51.1.2	7,008,264	6,956,082
Total capital		10,038,346	9,006,396
Gearing ratio		30%	23%

51.1.1 Total debt is defined as long term and short term borrowings (excluding derivatives), as described in notes 9, 10 and 14 to these consolidated financial statements.

51.1.2 Total equity includes all capital and reserves of the Holding Company that are managed as capital.

52 PLANT CAPACITY AND PRODUCTION

52.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 66,667 tons (2019: 66,667 tons) annually on the basis of notional pipe size (Where as the notional pipe size is taken as 30" dia x ½" thickness for SP1600 and 40"dia x 5/8" thickness for SP 2003). The actual production achieved during the year was 7,965 tons (2019: 12,287.5 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 34,527 tons (2019: 21,310.9 tons) when translated to the notional pipe size of 30" diameter. Reason for underutilization was delay in materialization of orders for different projects.

Coating plant

The coating plant has a capacity of externally shot blasting and coating of line pipes with 3 layer high density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 114 mm to 1,524 mm outside dia and thickness ranging from 3 mm to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface area of line pipes based on notional size of 14" dia on single shift working. Coating of 128,416 meters (2019: 434,494 meters) of different dia pipes 88,647 square meters surface area (2019: 340,745 square meters surface area) was achieved during the year. Reason for underutilization was lack of coating work orders in hand.

Steel melting plant

The designed capacity of Plant is 85,000 mtons (85,000 mtons) of billets per annum, but the total production during FY19-20 was 10,894 mtons (2019: 29,162 mtons) of billets. Unit operated only for about four months on self-generated (Inter division) power supply that was only compatible during crushing season. Production was suspended for rest period of eight months because of no alternative power supply arrangements.

52.2 Cotton segment

Spinning unit 1

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,080 shifts is 9,197,007 kilogram (2019: 9,197,007 kilograms). Actual production converted into 20s count was 7,190,635 kilograms for 921 shifts (2019: 9,087,295 kilograms for 1,092 shifts).

52.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2019: 118,856 MWh) and the actual production achieved during the year was 16,341 MWh (2019: 31,017 MWh). Reason for underutilization was that no power was supplied to FESCO and power generation was restricted to actual demand of the two customers, Hadeed (Billet) segment (internal customer) and Shakarganj Limited (external customer).

53 GENERAL

53.1 Number of employees

The total number of employees including contractual employees of the Group as at 30 June 2020 were 778 (2019: 760) and weighted average number of employees were 769 (2019: 877).

The number of factory employees including contractual employees of the Group as at 30 June 2020 were 699 (2019: 678) and weighted average number of employees were 690 (2019: 682).

54 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on 28 August 2020.

Chief Executive	Director	Chief Financial Officer