Faisalabad Garment City Company

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

KRESTON
HYDER BHIMJI & CO
CHARTERED ACCOUNTANTS

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of **Faisalabad Garment City Company** for the year ended June 30, 2021.

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

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

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30, 2021.

DATE: OCTOBER 01, 2021
FAISALABAD

KRESTON HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Amber Razzaq

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Independent Auditors' Report to the Members of Faisalabad Garment City Company

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Faisalabad Garment City Company** (the Company), which comprise the statement of financial position as at June 30, 2021, and the income and expenditure statement, the statement of changes in funds, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the income or expenditure statement, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the surplus, the changes in funds and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overrideof internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to eventsor conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the income and expenditure statement, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

d) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

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

Hyder Bhimji & Company
Chartered Accountants
Kreston

Date: October 01, 2021
Place: Faisalabad

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

City Company
Road,
Faisalabad.

FAISALABAD GARMENT CITY COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

ASSETS	NOTE	2021 RUPEES	2020 RUPEES
NON CURRENT ASSETS			
Property, plant and equipment	6	170,269,395	181,838,064
Investment property	7	367,514,841	377,462,438
Advance for purchase of land	8	7,111,835	7,111,835
Long term advances	9	387,500	311,822
Long term deposits	10	8,340,560	8,340,560
		553,624,131	575,064,719
CURRENT ASSETS			
Store inventory	11	391,859	490,381
Advances, prepayments and other receivables	12	1,923,702	6,269,763
Accrued income	13	2,791,748	2,808,540
Short term investments	14	-	40,000,000
Tax refunds due from government	15	-	5,567,675
Cash and bank balances	16	194,183,083	120,706,153
		199,290,392	175,842,512
		752,914,523	750,907,231

FUNDS AND LIABILITIES	NOTE	2021 RUPEES	2020 RUPEES
FUNDS			
Public sector development fund		690,929,000	690,929,000
Accumulated surplus		6,410,114	1,174,573
		697,339,114	692,103,573
NON CURRENT LIABILITIES			
Deferred income	17	33,386,777	37,152,805
Deferred liabilities	18	9,913,999	8,489,276
		43,300,776	45,642,081
CURRENT LIABILITIES			
Trade and other payables	19	506,550	1,586,225
Security deposits	20	11,575,352	11,575,352
Provision for taxation		192,731	-
		12,274,633	13,161,577
CONTINGENCIES AND COMMITMENTS	21	-	-
		752,914,523	750,907,231

The annexed notes 1 to 33 form an integral part of these financial statements.

CHAIRMAN

DIRECTOR

CHIEF ACCOUNTANT

FAISALABAD GARMENT CITY COMPANY

INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
Revenue	22	60,659,528	55,701,781
Less:			
Operating and other expenses	23	29,438,508	28,635,631
Depreciation on property, plant and equipment	6.3	8,227,515	8,791,552
Depreciation on investment property	7.1	14,040,998	14,784,881
		51,707,021	52,212,064
		8,952,507	3,489,717
Other income	24	12,976,867	19,733,559
Surplus before taxation		21,929,374	23,223,276
Taxation	25	16,693,833	(6,436,308)
Surplus after taxation		5,235,541	29,659,584
Other comprehensive income for the year		-	-
Total comprehensive surplus for the year		5,235,541	29,659,584

The annexed notes 1 to 33 form an integral part of these financial statements.

CHAIRMAN DIRECTOR CHIEF ACCOUNTANT

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FAISALABAD GARMENT CITY COMPANY

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Public Sector Development Fund	Accumulated Surplus / (Deficit)	Total
	[R	U P E E	S]
Balance as at July 01, 2019	690,929,000	(28,485,011)	663,669,924
Total comprehensive surplus for the year	-	29,659,584	29,659,584
Balance as at June 30, 2020	690,929,000	1,174,573	693,329,508
Total comprehensive surplus for the year	-	5,235,541	5,235,541
Balance as at June 30, 2021	690,929,000	6,410,114	698,565,049

The annexed notes 1 to 33 form an integral part of these financial statements.

CHAIRMAN

DIRECTOR

CHIEF ACCOUNTANT

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

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FAISALABAD GARMENT CITY COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		21,929,374	23,223,276
Adjustments for non cash and other items:			
Depreciation on property, plant and equipment		11,940,600	11,457,850
Depreciation on investment property		14,040,998	14,784,881
Provision for gratuity		1,424,723	1,469,727
Finance cost		6,867	7,784
Profit on bank deposits		(10,546,005)	(11,774,943)
Profit on short term investments		(807,650)	(5,623,522)
Interest income on deposit with SNGPL		(93,585)	(127,500)
Workers welfare fund		-	1,196,288
Reversal of workers welfare fund		(1,196,288)	-
Grant from PSDF		(840,726)	(1,195,233)
Amortization of grant		(3,766,028)	(3,944,389)
Income from vocational training		(236,396)	-
Insurance income		-	(1,107,016)
Grant for SMOT - III project		(48,000)	(300,000)
Operating cash flows before working capital changes		31,807,884	28,067,203
Changes in working capital			
(Increase)/decrease in current assets			
Advances, prepayments and other receivables		4,028,261	(3,224,129)
Store inventory		98,522	(31,054)
Tax refunds due from government		-	(5,567,675)
Increase/(decrease) in current liabilities			
Trade and other payables		116,613	54,708
		4,243,396	(8,768,150)
Cash generated from operations		36,051,280	19,299,053
Finance cost paid		(6,867)	(7,784)
Income tax paid		(10,933,427)	(8,583,374)
Profit on bank deposits received		10,044,360	11,357,767
Long term advances received/(paid)		467,122	(791,652)
Grant from PSDF received		840,726	1,195,233
Income from vocational training received		11,396	-
Insurance income received		-	1,107,016
Grant for SMOT - III project received		48,000	300,000
Net cash generated from operating activities		36,522,590	23,876,259
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		(371,931)	(951,650)
Addition in investment property		(4,093,401)	(3,130,806)
Changes in short term investments		40,000,000	10,000,000
Profit on short term investments		1,419,672	5,498,664
Net cash generated from investing activities		36,954,340	11,416,208
Net increase in cash and cash equivalents	(a+b)	73,476,930	35,292,467
Cash and cash equivalents at the beginning of the year		120,706,153	85,413,686
Cash and cash equivalents at the end of the year	16	194,183,083	120,706,153

The annexed notes 1 to 33 form an integral part of these financial statements.

CHAIRMAN DIRECTOR CHIEF ACCOUNTANT

FAISALABAD GARMENT CITY COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. STATUS AND ACTIVITIES

Faisalabad Garment City Company (the Company) was incorporated on 8th May, 2006 under Section 42 of the repealed Companies Ordinance, 1984 (new Companies Act, 2017) as a Company Limited by Guarantee without the addition of word "Limited" to its name. The registered office of the Company is situated at Value Addition City, 1-1/2 km Khurrianwala Sahianwala Road, Khurrianwala, Faisalabad. The principal object of the Company is to promote, finance, establish, run, manage, maintain and develop state of art facilities for garments, home textiles, hosiery made-ups, accessories and allied industry in Textile City of Faisalabad by providing necessary infrastructure to manufacturers, designers and exporters, after necessary approvals/sanctions of the Government of Pakistan.

1.1 The present Board of Directors was reconstituted by the Prime Minister of Pakistan vide notification No.1(9)TID/14-D-II, dated 23rd June 2017 of Ministry of Textile Industry. The tenure of present Board of Directors was expired on 22nd June2020 in terms of Rule 3A of the Public Sector Companies (Corporate Governance) Rules, 2013 read with Section 161 of the Companies Act, 2017 which inter alia provide the tenure of three (3) years being the office holding period of directors of Public Sector Company and as per clause 30 mentioned in Articles of Association of the Company. However, regarding status of present Board, the legal advisor of the company has given his opinion which categorically affirms the validity of the Board in the following words; *"The Directors/Board of Directors of the Company have been reconstituted by the Prime Minister of Pakistan and no tenure has since been given in the said notification for the said directors/Board of Directors. Moreover, the provisions of Section 158, 159, 161, 162 and 163 are not applicable to this company (FGCC). The concerned Ministry or the Prime Minister of Pakistan has neither passed any notification to restrain the present BODs for working nor has reconstituted any fresh BODs. In these circumstances we are of the opinion that under Section 165 (3) of the Companies Act, 2017 the present Directors/Board of Directors of the Company shall hold office during the pleasure of the nominating body."*

1.2 Under rule 5(2) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board of Directors are required to evaluate and recommend possible candidates for the position of Chief Executive Officer to the Government for its concurrence for appointment as Chief Executive of the Company. The company was granted approval for relaxation from the appointment of chief executive separate from the chairman, by the Securities and Exchange Commission of Pakistan (SECP) as required under Rule 4(I) of Public Sector Companies (Corporate Governance) Rules, 2013 for one year i.e., 2019. An application for relaxation/exemption for the appointment of chief executive officer (CEO) was submitted to SECP for a period of two years i.e., uptil 2021. Afterwards, Ministry of Textile vide letter no. 1(9)TID/14-DEV-II dated 6th November 2020 directed the Company to start the process of appointment of a separate CEO within the period of one month and Ministry of Commerce vide letter no. 1(9)TID/14-Dev dated 19 January 2021, directed the Company to complete the process within the period of three months. The Company has advertised the post two times but till the reporting date, the position of CEO remained vacant.

The board has approved chairman and one director to authorize these financial statements, at present the company is not in a position to fulfill the requirements of section 227(5) and 232 of Company Act 2017, which inter alia require endorsement by Chief Executive Officer on director's report, statement of compliance with requirements of Public Sector Companies (Corporate Governance) Rules, 2013, and financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting standard for NPOs) issued by the Institute of Chartered Accounts of Pakistan (ICAP) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 **Basis of measurement**

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective policy notes.

2.3 **Functional and presentation currency**

These financial statements are presented in Pakistani Rupee which is also the Company's functional currency.

3. NEW AND REVISED STANDARDS, INTERPRETATIONS AND PRONOUNCEMENTS

3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

- **Amendments to IFRS 9, 'Financial Instruments'; IAS 39, 'Financial Instruments: Recognition and Measurement, and IFRS 7, ' Financial Instruments: Disclosures' - Interest Rate Benchmark Reform:**

  The changes in Interest Rate Benchmark Reform

  i. modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

  ii. are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;

  iii. are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required);

  iv. and require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

  The amendment does not have any impact on the Company's financial statements

- **Amendment to IFRS 16, 'Leases' - Covid-19-Related Rent Concessions:**

  The changes in Covid-19-Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification; require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications; require lessees that apply the exemption to disclose that fact; and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The interpretation does not have any impact on the Company's financial statements .

- **Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors':**

  These amendments and consequential amendments to other IFRSs:

  (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;

  (ii) clarify the explanation of the definition of material; and

  (iii) incorporate some of the guidance in IAS 1 about immaterial information.

  These amendments do not have any significant impact on the Company's financial statements .

- **Amendment to IFRS 3 'Business Combinations' – Definition of a Business:**

  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 amendment does not have any impact on these financial statements.

The other amendments to published standards and interpretations that are mandatory for the financial year are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

KHB

3.2 **Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective and have not been early adopted by the Company**

- **Amendment to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use (effective for annual period beginning on or after January 01, 2022):**

  The amendment prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in income and expenditure statement. The amendment is not likely to have an impact on the Company's financial statements.

- **Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual period beginning on or after January 01, 2022):**

  The amendment specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendment is not likely to have an impact on the Company's financial statements.

- **Amendments to IFRS 3, 'Business Combinations' - Reference to the Conceptual Framework (effective for the Company's annual period beginning on January 1, 2022):**

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements. In addition, the Board added an exception to the recognition principle of IFRS 3 to avoid the issue of potential day 2 gains or losses arising for liabilities and contingent liabilities and it clarified existing guidance in IFRS 3 for contingent assets. The amendment is not likely to have an impact on the Company's financial statements.

- **Amendments to IAS 1, 'Presentation of financial statements' - Classification of Liabilities as Current or Non-current (effective for the Company's annual period beginning on January 1, 2022):**

  The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the reporting date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability.

- **Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' - Definition of Accounting Estimates (effective for the Company's annual period beginning on January 01, 2023):**

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The Company is yet to assess the full impact of the amendment.

- **Amendments to IAS 1, 'Presentation of financial statements' and IFRS Practice Statement 2-Disclosure of Accounting Policies (effective for the Company's annual period beginning on January 01, 2023):**

  the IASB has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendment is not likely to have an impact on the Company's financial statements.

- **Annual Improvements to IFRS Standards 2018-2020 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards (effective for annual period beginning on or after January 01, 2022):**

    - IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent - i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

    - IFRS 9 Financial Instruments. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in assessing whether to derecognize a financial liability. 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.

    - IAS 41 Agriculture. The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13 - Fair Value Measurement.

There are other amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purposes of their applicability in Pakistan:

IFRS - 1 'First time adoption of International Financial Reporting Standards'.

IFRS - 17 'Insurance Contracts'.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

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

- Estimate of useful life of property, plant and equipment - note 5.1
- Impairment of non financial assets - note 5.7
- Taxation - note 5.11
- Provisions - note 5.12
- Contingencies - note 5.13

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated in the respective notes.

5.1 Property, Plant and equipment

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment, if any. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditures that are directly attributable to the acquisition or construction of assets.

KHB

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with such costs will flow to the entity and such costs can be reliably measured. Cost incurred to replace a component of an item of the fixed assets is capitalized and the asset so replaced is retired from use. Normal repair and maintenance costs are charged to statement of income and expenditure during the period in which these are incurred.

Depreciation is charged to income and expenditure statement applying the reducing balance method so as to write off the historical cost / depreciable amount of the assets over their expected useful life at the rates mentioned in note 6.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives of assets are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Any gain or loss on disposal of assets is included in statement of income and expenditure in the year in which the assets are derecognized.

5.2 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises of land and building and is valued using the cost model i.e. at cost less accumulated depreciation and identified impairment loss, if any, except for land which is stated at cost.

Depreciation is charged to income and expenditure statement by applying the reducing balance method at the rates specified in note 7.1 to the financial statements so as to write off the depreciable amount over its estimated useful life. Depreciation on additions during the year 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 financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal of investment property represented by the difference between the sale proceeds and the carrying amount of asset is recognized as income or expense in the year in which the asset is disposed off.

5.3 Capital work in progress

Capital work in progress is stated at cost less accumulated impairment in value, if any. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These specific assets are transferred to operating fixed assets as and when these assets are available for intended use.

5.4 Store inventory

Inventory is valued at moving average cost, except items in transit which are stated at cost, comprising invoice values plus other charges paid thereon. Provision is made for slow moving and obsolete store items when so identified.

5.5 Loans, advances, prepayments and other receivables

Loans, advances, prepayments and other receivables are initially recognized at fair value and subsequently carried at amortized cost which approximate fair value of the consideration receivable, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Loans, advances, prepayments and other receivables considered irrecoverable are written off.

5.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

5.7 **Impairment of non financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in statement of income and expenditure. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis. Impairment losses on goodwill shall not be reversed.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

5.8 **Deferred income**

Amounts received as grant in aid from Government and other agencies for the development of specific assets are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants relating to costs are deferred and recognized in the income and expenditure over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the fixed assets are included in non current liabilities as deferred income and are credited to income and expenditure on a straight-line basis over the expected lives of the related assets.

5.9 **Staff retirement benefits**

Defined Benefit Plan

The Company operates an funded gratuity scheme for its employees who have completed the qualifying period as defined under the respective scheme. The amount of liability for each employee at year end is computed by number of years completed multiplied by the last drawn monthly salary. The difference between the current and the previous liability net of payment made during the year is charged to income as an expense for the year.

5.10 **Trade and other payables**

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

5.11 **Taxation**

Provision for current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the surplus for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred tax is accounted for using the statement of financial position method, where applicable.

5.12 **Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past event and it is probable that an outflow of economic resources embodying 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 periodically and adjusted to reflect the current best estimates.

5.13 **Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non-occurrence of the uncertain future event(s).

5.14 Revenue recognition

- Rental income is recognized as revenue on accrual basis.
- Profit on bank deposits is accounted for on time proportionate basis using effective rate of interest method.
- Other revenues are recorded on accrual basis.

5.15 Related party transactions

Transactions with related parties are executed at arms' length basis under the pricing method approved by the Board of Directors.

5.16 Financial instruments

5.16.1 Financial assets

A financial asset is measured at amortized cost if it is held in order to collect contractual cash flows which arise on specified dates and that are 'solely payment of principal and interest (SPPI)' on the principal amount outstanding. A debt investment is measured at fair value through other comprehensive income (FVOCI) if it is held in order to collect contractual cash flows which arise on specified dates that are solely principal and interest and as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss (FVPL) unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at FVPL to reduce the effect of, or eliminate, an accounting mismatch.

A. <u>Classification and measurement of financial assets</u>

Investments and other financial assets

Classification:

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive Income, or through income and expenditure), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows.

For assets measured at fair value, gains and losses will either be recorded in income and expenditure statement or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement:

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at PVPL are expensed in income and expenditure statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in income and expenditure statement and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income and expenditure statement.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in income and expenditure statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to income and expenditure statement and recognized in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Impairment losses are presented as separate line item in the income and expenditure statement.

Fair value through profit or loss (FVPL)

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through income and expenditure statement, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the income and expenditure statement.

B. <u>Derecognition:</u>

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

The rights to receive cash flows from the asset have expired, or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

C. **Impairment:**

The Company record an allowance for a forward-looking expected credit loss (ECL) approach for all loans and other debt financial assets not held at FVPL.

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

For receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

5.16.2 Financial liabilities

A. **Classification and measurement:**

Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at FVPL are initially recognized at fair value and transaction costs are expensed in the income and expenditure.

Financial liabilities, other than those at FVPL, are subsequently measured at amortized cost using the (EIR) effective interest rate method.

B. **Derecognition:**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income and expenditure statement.

5.16.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6. PROPERTY, PLANT AND EQUIPMENT

	NOTE	2021 RUPEES	2020 RUPEES
Operating fixed assets	6.1	137,164,432	144,967,073
Assets from grants	6.2	33,104,963	36,870,991
		170,269,395	181,838,064

6.1 Operating fixed assets

DESCRIPTION	2021 COST As at July 01, 2020	Additions	As at June 30, 2021	DEPRECIATION As at July 01, 2020	For the Year	As at June 30, 2021	W.D.V As at June 30, 2021	Rate %
	[R		U	P E	E	S]		
Owned								
Building	158,200,339	-	158,200,339	27,300,186	6,545,008	33,845,194	124,355,145	5
Furniture and fixtures	4,595,620	99,250	4,694,870	1,938,954	271,457	2,210,411	2,484,459	10
Computers and accessories	1,582,711	-	1,582,711	1,437,495	43,565	1,481,060	101,651	30
Office equipment	6,452,698	181,281	6,633,979	3,175,610	340,985	3,516,595	3,117,384	10
Electric equipment	6,253,081	91,400	6,344,481	2,268,324	400,761	2,669,085	3,675,396	10
Electric installations	2,013,252	-	2,013,252	683,039	133,021	816,060	1,197,192	10
Vehicles	4,073,188	-	4,073,188	2,348,420	344,954	2,693,374	1,379,814	20
Generators	1,681,412	-	1,681,412	733,200	94,821	828,021	853,391	10
Grand total	184,852,301	371,931	185,224,232	39,885,228	8,174,572	48,059,800	137,164,432	

DESCRIPTION	2020 COST As at July 01, 2019	Additions	As at June 30, 2020	DEPRECIATION As at July 01, 2019	For the Year	As at June 30, 2020	W.D.V As at June 30, 2020	Rate %
	[R		U	P E	E	S]		
Owned								
Building	158,200,339	-	158,200,339	20,410,704	6,889,482	27,300,186	130,900,153	5
Furniture and fixtures	4,595,620	-	4,595,620	1,643,769	295,185	1,938,954	2,656,666	10
Computers and accessories	1,582,711	-	1,582,711	1,375,260	62,235	1,437,495	145,216	30
Office equipment	6,357,698	95,000	6,452,698	2,811,489	364,121	3,175,610	3,277,088	10
Electric equipment	5,979,281	273,800	6,253,081	1,825,573	442,751	2,268,324	3,984,757	10
Electric installations	1,659,622	353,630	2,013,252	535,238	147,801	683,039	1,330,213	10
Vehicles	4,073,188	-	4,073,188	1,917,228	431,192	2,348,420	1,724,768	20
Generators	1,681,412	-	1,681,412	627,843	105,357	733,200	948,212	10
Total	184,129,871	722,430	184,852,301	31,147,104	8,738,124	39,885,228	144,967,073	

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

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6.2 Assets from grants

DESCRIPTION	COST As at July 01, 2020	COST Additions	COST As at June 30, 2021	DEPRECIATION As at July 01, 2020	DEPRECIATION For the Year	DEPRECIATION As at June 30, 2021	W.D.V As at June 30, 2021	Rate %
	[	R	U	P E	E	S]		
Owned								
Day Care Assets								
Punjab Day Care Fund Society (PDCF Society)								
Furniture and fixtures	87,000	-	87,000	7,975	7,903	15,878	71,122	10
Electric equipment	495,850	-	495,850	45,453	45,040	90,493	405,357	10
Sub total	582,850	-	582,850	53,428	52,943	106,371	476,479	
Female Exclusive Training Institute (FETI)								
Public Sector Development Programme (PSDP)								
Furniture and fixtures	826,000	-	826,000	55,067	77,093	132,160	693,840	10
Computers and accessories	177,700	-	177,700	35,540	42,648	78,188	99,512	30
Electric equipment	1,255,950	-	1,255,950	83,730	117,222	200,952	1,054,998	10
Electric installations	51,930	-	51,930	3,462	4,847	8,309	43,621	10
Tools & Equipment	228,800	-	228,800	15,253	21,355	36,608	192,192	10
Sub total	2,540,380	-	2,540,380	193,052	263,165	456,217	2,084,163	
Japan International Cooperation Agency (JICA)								
Machinery	36,151,887	-	36,151,887	2,410,126	3,374,176	5,784,302	30,367,585	10
Computers and accessories	315,600	-	315,600	63,120	75,744	138,864	176,736	30
Sub total	36,467,487	-	36,467,487	2,473,246	3,449,920	5,923,166	30,544,321	
Grand total	39,590,717	-	39,590,717	2,719,726	3,766,028	6,485,751	33,104,963	

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

Scanned with CamScanner

DESCRIPTION	2020							
	COST			DEPRECIATION			W.D.V	Rate
	As at July 01, 2019	Additions	As at June 30, 2020	As at July 01, 2019	For the Year	As at June 30, 2020	As at June 30, 2020	%
Owned								
Day Care Assets								
Punjab Day Care Fund Society (PDCF Society)								
Furniture and fixtures	-	87,000	87,000	-	7,975	7,975	79,025	10
Electric equipment	-	495,850	495,850	-	45,453	45,453	450,397	10
Sub total	-	582,850	582,850	-	53,428	53,428	529,422	
Female Exclusive Training Institute (FETI)								
Public Sector Development Programme (PSDP)								
Furniture and fixtures	-	826,000	826,000	-	55,067	55,067	770,933	10
Computers and accessories	-	177,700	177,700	-	35,540	35,540	142,160	30
Electric equipment	-	1,255,950	1,255,950	-	83,730	83,730	1,172,220	10
Electric installations	-	51,930	51,930	-	3,462	3,462	48,468	10
Tools & Equipment	-	228,800	228,800	-	15,253	15,253	213,547	10
Sub total	-	2,540,380	2,540,380	-	193,052	193,052	2,347,328	
Japan International Cooperation Agency (JICA)								
Machinery	-	36,151,887	36,151,887	-	2,410,126	2,410,126	33,741,761	10
Computers and accessories	-	315,600	315,600	-	63,120	63,120	252,480	30
Sub total	-	36,467,487	36,467,487	-	2,473,246	2,473,246	33,994,241	
Grand total	-	39,590,717	39,590,717	-	2,719,726	2,719,726	36,870,991	

	NOTE	2021 Rupees	2020 Rupees
6.3 Depreciation charge for the year has been allocated as under:			
Depreciation on property, plant and equipment			
- Operating fixed assets		8,174,572	8,738,124
- Day care assets		52,943	53,428
		8,227,515	8,791,552
Depreciation on FETI assets	6.3.1	3,713,085	2,666,298
		11,940,600	11,457,850

6.3.1 Depreciation on FETI assets is charged in FETI expenses.

Chairman
Faisalabad Cement City Company
1-1/2 KM Sohianwala Road,
Khurrianwala, Faisalabad.

7. **INVESTMENT PROPERTY**

	NOTE	2021 Rupees	2020 Rupees
Investment property	7.1	360,290,634	374,331,632
Capital work in progress	7.2	7,224,207	3,130,806
		367,514,841	377,462,433

7.1 **Investment property**

2021

DESCRIPTION	COST As at July 01, 2020	COST Additions	COST As at June 30, 2021	DEPRECIATION As at July 01, 2020	DEPRECIATION For the Year	DEPRECIATION As at June 30, 2021	W.D.V As at June 30, 2021	Rate %
Owned		[R	U	P E	E	S]		
Land	94,346,760	-	94,345,760	-	-	-	94,346,760	-
Buildings	443,761,624	-	443,761,624	164,611,831	13,957,490	178,569,321	265,192,303	5
Electric installations	927,866	-	927,866	92,787	83,508	176,295	751,571	10
Total	538,108,384	-	539,036,250	164,704,618	14,040,998	178,745,616	360,290,634	

2020

DESCRIPTION	COST As at July 01, 2019	COST Additions	COST As at June 30, 2020	DEPRECIATION As at July 01, 2019	DEPRECIATION For the Year	DEPRECIATION As at June 30, 2020	W.D.V As at June 30, 2020	Rate %
Owned		[R	U	P E	E	S]		
Land	94,346,760	-	94,345,760	-	-	-	94,346,760	-
Buildings	443,761,624	-	443,761,624	149,919,737	14,692,094	164,611,831	279,149,793	5
Electric Installations	-	927,866	927,866	-	92,787	92,787	835,079	10
Total	538,108,384	927,866	538,108,384	149,919,737	14,784,881	164,704,618	374,331,632	

7.2 This amount relates to the project related consultancy fee for the development of investment property, i.e. buildings for rent, and CWIP as required research on the development of investment property.

7.3 This property is held for earning rental income and not for capital appreciation. The Company carries investment property under cost model as its fair value cannot be reliably determined because there is no active market for this property and a recent comparable transaction for identical property is also not available. Further, the application of valuation techniques is not supposed to provide a reliable measure of fair value.

There is no restriction on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. The possible range of estimates with in which the fair/forced sale value is highly likely to lie is from Rs. 1.722 million to Rs. 2.175 million.

		NOTE	2021 RUPEES	2020 RUPEES
8.	**ADVANCE FOR PURCHASE OF LAND**			
	Advance for purchase of land	8.1	7,111,835	7,111,835

8.1 This represents the amount paid to Faisalabad Industrial Estate Development and Management Company (FIEDMC) for purchase of land measuring 10.825 Acres. The land has already been occupied by the Faisalabad Garment City Company whereas the title of land has not been transferred to the Company . The matter is pending due to legal formalities with the Government departments at FIEDMC end.

		NOTE	2021 RUPEES	2020 RUPEES
9.	**LONG TERM ADVANCES**			
	Considered good - Secured			
	Advance to employees	9.1 & 9.2	387,500	311,822

9.1 These are secured against staff retirement benefits.

9.2	Advance to employees	1,447,218	1,914,340
	Current portion of advances to employees	(1,059,718)	(1,602,518)
		387,500	311,822

		NOTE	2021 RUPEES	2020 RUPEES
10.	**LONG TERM DEPOSITS**			
	Security deposits with / for:			
	FESCO		5,787,560	5,787,560
	SNGPL	10.1	2,550,000	2,550,000
	Supply of water		3,000	3,000
			8,340,560	8,340,560

10.1 This represents deposit with Sui Northern Gas Pipelines Limited for supply of natural gas to the Company. It is subject to mark up at the rate of 1 year KIBOR minus 3% per annum or Fixed rate of 5% per annum whichever is lower receivable in arrears.

		NOTE	2021 RUPEES	2020 RUPEES
11.	**STORE INVENTORY**			
	FETI store		110,045	208,567
	Loose tools	11.1	281,814	281,814
			391,859	490,381

11.1 This represent the inventory received as non monetary grant from PSDP for Female Exclusive Training Institute (FETI).

		NOTE	2021 RUPEES	2020 RUPEES
12.	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Considered good			
	Advances:			
	Current portion of advances to employees	9	1,059,718	1,602,518
	Prepayments:			
	Prepaid insurance		482,045	480,549
	Others		14,932	5,175
	Other receivables:			
	Rent receivable- secured		-	3,911,376
	Others		367,007	270,145
			1,923,702	6,269,763
13.	**ACCURED INCOME**			
	Interest on deposits with SNGPL	10.1	323,850	230,265
	Accrued profit on bank deposits		2,467,898	1,966,253
	Profit on short term investments		-	612,022
			2,791,748	2,808,540
14.	**SHORT TERM INVESTMENTS**			
	Term Deposit Receipts (TDRs) - Amortized cost:			
	Zarai Taraqiati Bank Limited	14.1	-	40,000,000

14.1 This represents investment in Zarai Taraqiati Bank Limited (ZTBL)'s PLS Term Deposit Receipts. Profit is receivable on quarterly basis at the rate of 14.00% per annum (2020: 7.55% to 14.00%) per annum.

		NOTE	2021 RUPEES	2020 RUPEES
15.	**TAX REFUNDS DUE FROM GOVERNNMENT**			
	Income tax refundable		-	5,567,675
16.	**CASH AND BANK BALANCES**			
	Cash in hand		55,079	55,206
	Cash at banks			
	in current accounts		9,984	9,984
	in deposit accounts	16.1 & 16.2	194,118,020	120,640,963
			194,183,083	120,706,153

16.1 Rate of return on deposit accounts ranges from 6.50% to 5.50% (2020: 6.50% to 12.00%) per annum.

16.2 It includes amount Rs. 8.698 million (2020: 7.076 million) represents staff gratuity fund account.

17. DEFERRED INCOME

	NOTE	2021 RUPEES	2020 RUPEES
Grant balance as at 01, July			
Punjab Day Care Fund Society (PDCF Society)	17.1	529,422	1,630,000
Public Sector Development Programme (PSDP)	17.2	2,629,142	2,999,707
Japan International Cooperation Agency (JICA)	17.2	33,994,241	36,467,487
		37,152,805	41,097,194
Amortization of grant			
Day care assets	6.3	(52,943)	(53,428)
Day care expenses		-	(1,047,150)
Female Exclusive Training Institute (FETI) assets	6.3	(3,713,085)	(2,666,298)
Female Exclusive Training Institute (FETI) inventory		-	(177,513)
		(3,766,028)	(3,944,389)
Closing balance		33,386,777	37,152,805

17.1 This represents grant received from Punjab Day Care Fund Society (PDCF), Directorate of Women Development, Lahore. The purpose of the fund is establishment of day care center to support working women by making workplace woman friendly through availability of quality and convenient child care. The PDCF Society assist in establishment of day care center by providing financial support to the Company for establishment of day care center. The amount of funds transferred had been initially recognized in non-current liabilities as a deferred grant income. There are no unfulfilled conditions or other contingencies attaching to these grants (Refer note 6.2).

17.2 This represents non-monetary grants received from Public Sector Development Programme (PSDP) and Japan International Cooperation Agency (JICA) for establishment of Female Exclusive Training Institute (FETI). According to PC-1 (training center) JICA had to provide necessary machinery and PSDP to born all the expenses and also to supervise the project for two years. The project FETI had been handed over to the Company on November 15, 2019. The amount of non-monetary assets transferred (refer note no 6.2 and note 11) had been initially recognized in non-current liabilities as a deferred grant income. There are no unfulfilled conditions or other contingencies attaching to these grants.

18. DEFERRED LIABILITIES

	NOTE	2021	2020
Staff retirement gratuity	18.1	9,913,999	8,489,276

18.1 Reconciliation of staff retirement benefits is as follows:

	2021	2020
Opening balance	8,489,276	7,019,549
Add: Provision for the year	1,424,723	1,469,727
	9,913,999	8,489,276
Less: Payments made during the year	-	-
Closing balance	9,913,999	8,489,276

18.1.1 This is an funded gratuity scheme, which provides retirement benefits for all employees of the company who attain the minimum qualifying period.

19. TRADE AND OTHER PAYABLES

	NOTE	2021	2020
Advance for SMOT Project	19.1	10,000	10,000
Accrued expenses		496,550	379,937
Workers welfare fund		-	1,196,288
		506,550	1,586,225

19.1 Textile skill development Board has issued this amount for biometric facial recognition system in SMOT project. But due to high cost of system the project was terminated. The amount remained unsettled for more than two years.

20. SECURITY DEPOSITS

	NOTE	2021	2020
SECURITY DEPOSITS	20.1	11,575,352	11,575,352

20.1 This represents securities received from tenants under cancelable lease arrangements. These are interest free and kept in separate bank account maintained for that purpose as required under Section 217(2) of the Companies Act, 2017. It has not been utilized and kept intact.

21. CONTINGENCIES AND COMMITMENTS

During the year, an ex-employee has filed petitions against the Company for his outstanding dues and injury compensation, which is pending litigation in the Court of Authority under Payment of Wages Act, 1936 and Court of Compensation Commissioner, Faisalabad. The legal advisor of the Company is of the view that there is every likely hood of the dismissal of the above cases and management is expecting favorable outcome so no provision is made in the books of accounts.

		NOTE	2021 RUPEES	2020 RUPEES
22.	**REVENUE**			
	Rental income - building	22.1	60,659,528	55,701,781

22.1 The buildings are rented according to the Public Procurement Rules (PPR), under cancellable lease arrangement.

		NOTE	2021 RUPEES	2020 RUPEES
23.	**OPERATING AND OTHER EXPENSES**			
	Salaries and benefits	23.1	17,617,196	17,465,873
	Electricity and power		724,253	935,722
	Postage and telecommunication		210,735	249,618
	Water and sewerage		72,840	65,260
	Entertainment		120,440	169,534
	Repairs and maintenance		342,399	482,896
	Printing and stationery		123,445	136,288
	Vehicle running and maintenance		194,913	158,729
	Travelling and conveyance		456,030	863,491
	Horticulture/ gardening		448,272	258,514
	Director training expense		-	561,000
	Fee and taxes		309,676	166,180
	Legal and professional charges		1,589,600	1,627,573
	Auditors' remuneration	23.2	126,000	120,000
	Insurance		1,045,109	881,941
	Meeting expenses		76,197	95,943
	Advertisement		332,887	68,501
	Inauguration expenses		31,055	-
	Bank charges		6,867	7,784
	Office utilities		66,520	47,005
	Workers welfare fund		-	1,196,288
	Others		17,900	451,948
	FETI expenses - net	23.3	5,526,174	2,625,543
			29,438,508	28,635,631

23.1 It includes Rs. 1,424,723 (2020: Rs. 1,469,727) in respect of staff retirement benefits.

		NOTE	2021 RUPEES	2020 RUPEES
23.2	**Auditors' remuneration**			
	Annual audit fee		94,500	90,000
	Tax consultancy		31,500	30,000
			126,000	120,000
23.3	**FETI Expenses - net**			
	FETI store consumed	23.3.1	98,522	287,046
	Salaries and benefits		5,272,429	2,673,404
	Travelling expenses		316,467	492,693
	Student's uniform & stipend		209,420	47,000
	Electricity and power		179,923	112,068
	Repairs and maintenance		38,780	296,500
	Printing and stationery		20,625	19,121
	Vehicle running and maintenance		252,420	55,780
	Depreciation on FETI assets	6.3	3,713,085	2,666,298
	Other expenses		26,314	314,677
			10,127,985	6,964,587
	Less: FETI Grants			
	Grant for SMOT-III project		(48,000)	(300,000)
	Grant from Punjab Skills Development Fund (PSDF)		(840,726)	(1,195,233)
	Amortization of deferred income	17	(3,713,085)	(2,843,811)
			(4,601,811)	(4,339,044)
	Net Expenses		5,526,174	2,625,543
23.3.1	**FETI store consumed**			
	Opening balance		208,567	-
	Material purchased		-	318,100
	Transferred from PSDP		-	177,513
			208,567	495,613
	Closing balance		(110,045)	(208,567)
			98,522	287,046

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

	NOTE	2021 RUPEES	2020 RUPEES
24. OTHER INCOME			
Income from financial assets			
Profit on bank deposits		10,546,005	11,774,943
Profit on short term investments	14	807,650	5,623,522
Interest income on deposit with SNGPL		93,585	127,500
Income from non-financial assets			
Sale of tender documents		44,000	-
Reversal of workers welfare fund		1,196,288	-
Amortization of deferred income - Day care	17	52,943	1,100,578
Income from vocational training		236,396	-
Insurance income		-	1,107,016
		12,976,867	19,733,559

25. TAXATION

	NOTE	2021 RUPEES	2020 RUPEES
Current	25.1	16,693,833	17,346,172
Prior year	25.2	-	(23,782,480)
		16,693,833	(6,436,308)

25.1 The provision for current taxation is made using prevailing tax rates under Income tax ordinance, 2001, after incorporating tax credits and rebates, if any. Provision for deferred tax is not required as there are no temporary differences that are expected to arise in the foreseeable future.

25.2 This represents reversal of provision for taxation made by management in the financial year 2016 on account of tax liabilities from financial year 2011 to 2015 in the light of assessment made by tax department for the financial year 2015 and up till 2014 the years barred by time limitation.

26. REMUNERATION OF CHAIRMAN AND EXECUTIVES

	NOTE	30 June 2021 Chairman	30 June 2021 Executives	30 June 2020 Chairman	30 June 2020 Executives
		[R U P E E S]		[R U P E E S]	
Vehicle running allowance	26.1	270,280	-	311,870	-
Number		1	-	1	-

26.1 It represents Rs. 10 per km (2020 : Rs. 10 per km) paid to the Chairman to meet running expenses of his car provided by the Company as well as repair and maintenance expenses of the car.

26.2 During the year no employee of the Company falls in the definition of executive as per requirement of the Companies Act, 2017.

27. NUMBER OF EMPLOYEES

Total number of employees as on June 30, 2021 are 39 (June 30, 2020: 39) and average number of employees during the year ended June 31, 2020 were 38 (June 30, 2020: 33).

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hierarchy

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.

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

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

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

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

	2021							
	Carrying Amount				Fair Value			
	Fair value	Amortized cost	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		[R U P E E S]						
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Long term advances	-	1,447,218	-	1,447,218	-	-	-	-
Long term deposits	-	8,340,560	-	8,340,560	-	-	-	-
Other receivables	-	367,007	-	367,007	-	-	-	-
Accrued income	-	2,791,748	-	2,791,748	-	-	-	-
Cash and bank balances	-	194,183,083		194,183,083				
	-	207,129,616	-	207,129,616	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	506,550	506,550	-	-	-	-
Security deposits	-	-	11,575,352	11,575,352	-	-	-	-
	-	-	12,081,902	12,081,902	-	-	-	-

	2020							
	Carrying Amount				Fair Value			
	Fair value	Amortized cost	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		[R U P E E S]						
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term advances	-	1,914,340	-	1,914,340	-	-	-	-
Long term deposits	-	8,340,560	-	8,340,560	-	-	-	-
Other receivables	-	4,181,521	-	4,181,521	-	-	-	-
Accrued income	-	2,808,540	-	2,808,540	-	-	-	-
Short term investments	-	40,000,000	-	40,000,000	-	-	-	-
Cash and bank balances	-	120,706,153	-	120,706,153	-	-	-	-
	-	177,951,114	-	177,951,114	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	389,937	389,937	-	-	-	-
Security deposits	-	-	11,575,352	11,575,352	-	-	-	-
	-	-	11,965,289	11,965,289	-	-	-	-

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through a mix of funds received from Government and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The Company's finance department oversees the management of these risks and provide assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite.

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

- Market risk
- Credit risk
- Liquidity risk

29.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk such as equity risk. The sensitivity analysis in the following sections relate to the position as at June 30, 2021 and 2020.

29.1.1 Interest rate risk:

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from deposit with SNGPL, investments in term deposit receipts and balances in deposit accounts.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2021	2020
Fixed rate instruments		
Short term investments (Rupees)	-	40,000,000
Variable rate instruments		
Security deposit with SNGPL (Rupees)	2,550,000	2,550,000
Effective interest rate in percentage	3.67	5.00
Bank balances in deposit accounts (Rupees)	194,118,020	120,640,963
Effective interest rate in percentage	6.00	9.25

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at FVPL. Therefore, a change in interest rate at the reporting date would not affect income and expenditure statement of the Company

Cash flow sensitivity analysis for variable rate instruments

If interest rates on balances in deposit accounts and deposit with SNGPL at the year end date, fluctuate by 100 bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year 2021 and 2020 would have been affected as follows:

	2021 RUPEES	2020 RUPEES
Effect on income and expenditure of an increase in interest rate for deposit with SNGPL	25,500	24,990
Effect on income and expenditure of an increase in interest rate for balances in deposit accounts	1,757,668	1,247,507
	1,783,168	1,272,497

Decrease in interest rates at June 30 would have had the equal but opposite effect of these amounts. Sensitivity analysis has been prepared on symmetric basis.

29.1.2 Currency risk / Foreign Exchange risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The Company is not exposed to any currency risk as there are no receivables and payables denominated in foreign currencies.

29.1.3 Other price risk:

Price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. However, the Company is not exposed to any significant price risk.

29.2 Credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. 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 ability to meet contractual obligations that is susceptible to changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The maximum exposure to credit risk at the reporting date is as follows :

	2021 RUPEES	2020 RUPEES
Long term advances	1,447,218	1,914,340
Long term deposits	8,340,560	8,340,560
Other receivables	367,007	4,181,521
Accrued income	2,791,748	2,808,540
Short term investments	-	40,000,000
Bank balances	194,128,004	120,650,947
	207,074,537	177,895,908

Long term advances are given to employee of the Company and are secured against employees' retirement benefits. Therefore, Company is not exposed to any significant credit risk on these advances.

Long term deposits have been mainly placed with utility companies, i.e. FESCO and SNGPL. Considering the financial position and credit quality of the institutions, Company's exposure to credit risk is not significant.

Other receivables constitute other receivables from tenant of buildings. For receivables, credit quality of parties is assessed taking into consideration their financial position, previous dealings and security deposits against rent agreements. So, the Company is not exposed to any significant credit risk on these receivables.

Accrued income constitute profit receivable on deposit with SNGPL and bank deposits. Considering the credit quality of the counter parties i.e. banks and SNGPL, Company's exposure to credit risk is not significant.

The credit quality of Company's bank balances can be assessed by reference to external credit ratings or to historical information about counter party default rate:

Name of Bank	Date	Long term	Short term	Outlook	Agency
Habib Metropolitan Bank Limited	25-Jun-21	AA+	A1+	Stable	PACRA
Zarai Taraqiati Bank Limited	30-Jun-21	AAA	A-1+	Stable	JCR-VIS

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

29.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and the availability of funds. This also includes maintenance of financial position liquidity ratios through working capital management. The management believes that the Company is not exposed to any liquidity risk.

The following are the contractual maturity analysis of financial liabilities as at June 30, 2021 and 2020:

	2021				
	Carrying amount	Contractual cash flows	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years
	[R U P E E S]				
Financial Liabilities :					
Trade and other payables	506,550	506,550	506,550	-	-
Security deposits	11,575,352	11,575,352	11,575,352	-	-
	12,081,902	12,081,902	12,081,902	-	-

	2020				
	Carrying amount	Contractual cash flows	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years
	[R U P E E S]				
Financial Liabilities :					
Trade and other payables	389,937	389,937	389,937	-	-
Security deposits	11,575,352	11,575,352	11,575,352	-	-
	11,965,289	11,965,289	11,965,289	-	-

30. FUND MANAGEMENT

The primary objective of the Company's fund management is to safeguard the Company's ability to continue as a going concern and to maintain a strong fund base to support the sustained development of its operations and to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for stakeholders thereby maximizing their wealth and reduce the cost of funds.

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of entities under common directorship, directors, their close family members and other key management personnel. The outstanding balances with related parties, significant transactions carried out with them during the year and remuneration to chairman, directors and others have been disclosed in the relevant notes to these financial statements.

32. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 01 OCT 2021 by the Board of Directors of the Company.

33. GENERAL

33.1 Corresponding figures

Corresponding figures have been rearranged, wherever necessary, for the purpose of better presentation and comparison. However, during the year no significant reclassifications are made in the corresponding figures.

33.2 Rounding

Figures have been rounded off to the nearest Rupee

CHAIRMAN DIRECTOR CHIEF ACCOUNTANT

Chairman
Faisalabad [illegible]
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

SCHEDULE I
[See paragraph 2(1)]

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company: FAISALABAD GARMENT CITY COMPANY

Name of the line ministry: MINISTRY OF COMMERECE (TEXTILE DIVISION)

For the year ended: 30.06.2021

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√	
2.	The Board has at least one-third of its total members as independent directors.	3(2)		

Category	Names	Date of appointment
Independent Directors	1) Rehan Naseem	23/06/2017
	2) Engr. M. Saeed	23/06/2017
	3) M. Anees	23/06/2017
	4) Hamid Mukhtar	23/06/2017
	5) Shahid Riaz	23/06/2017
Executive Directors	1) Rehan Naseem	23/06/2017
	2) Hamid Mukhtar	23/06/2017
Non-Executive Directors	1) Secretary, Ministry of Textile Industry	23/06/2017
	2) Secretary, Ministry of Commerce	23/06/2017
	3) Secretary, Ministry of Finance	23/06/2017
	4) Secretary, Board of Investment	23/06/2017
	5) Representative of	23/06/2017

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

	National Textile University, FSD 6) Representative of Industries Secretary, Ministry of Industries, Punjab — 23/06/2017 7) Engr. Muhammad Saeed — 23/06/2017 8) Muhammad Anees — 23/06/2017 9) Shahid Riaz — 23/06/2017		√	
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed Companies simultaneously, except their subsidiaries.	3(5)	N/A	
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	N/A	
5.	The chairman of the Board is working separately from the chief Executive of the Company.	4(1)		√
6.	The chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	4(4)	√	
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)		√
8.	(a) The company has prepared a "Code of Conduct" to ensure that Professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (Address of website to be indicated www.fgcc.pk) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical Practices.	5(4)	√ √ √	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the Stakeholders, in the manner prescribed in the Rules.	5(5)	√	

Chairman
Faisalabad Garment City Company
1-1/2 K.M. Sahianwala Road,
Faisalabad.

10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	√	
11.	The Board has developed and Implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	√	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	√	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	√	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	√	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	√	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18.	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	√ √ √	
19.	The Board has monitored and assessed the performance of senior accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	√	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A	9	N/A	

Chairman

	party wise record of transactions entered into with the related parties during the year has been maintained.			
21.	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. (b)In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. (c)The Board has placed the annual financial statements on the company's website.	10	√ √	 N/A
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	√	
23.	(a) The Board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the Board members. (d) The committees were chaired by the following non-executive directors:	12	√ √ √	

Committee	Number of Members	Name of Chair
Audit Committee	03	Mr. Muhammad Anees
Risk Management Committee	N/A	N/A
Human Resources Committee	03	Mr. Rehan Naseem
Procurement Committee	05	Mr. Rehan Naseem
Nomination Committee	N/A	N/A

24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	√	

<table>
<tr><td>25.</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>√</td><td></td></tr>
<tr><td>26.</td><td>The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.</td><td>16</td><td>√</td><td></td></tr>
<tr><td>27.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>√</td><td></td></tr>
<tr><td>28.</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.</td><td>18</td><td>√</td><td></td></tr>
<tr><td>29.</td><td>(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.
(b) The annual report of the company contains criteria and details of remuneration of each director.</td><td>19</td><td colspan="2">N/A</td></tr>
<tr><td>30.</td><td>The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.</td><td>20</td><td>√</td><td></td></tr>
<tr><td>31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><td>Name of Of Member</td><td>Category</td><td>Professional background</td></tr>
<tr><td>Mr. Muhammad Anees</td><td>Chairman</td><td>Businessman/Sitara Group</td></tr>
<tr><td>Mr. Tanveer Hussain</td><td>Member</td><td>Rector, National Textile University, Faisalabad</td></tr>
<tr><td>Mr. Shahid Riaz</td><td>Member</td><td>Businessman/Cresent Group</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21 (1) and 21(2)</td><td>√</td><td></td></tr>
<tr><td>32.</td><td>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.

(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.

(c) The audit committee met the chief internal auditor and other</td><td>21(3)</td><td>√

√</td><td></td></tr>
</table>

	members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.		√	
33.	(a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee. (b) The chief internal auditor has requisite qualification and experience prescribed in the Rules. (c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √	
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√	

REHAN NASEEM BHARARA
CHAIRMAN
FAISALABAD GARMENT CITY COMPANY

Chairman
Faisalabad Garment City Company
1-1/2 K.M Sahianwala Road,
Khurrianwala, Faisalabad.

SCHEDULE II

See Paragraph 2(3)

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

Sr. No.	Rule/sub-rule no.	Reasons For non-Compliance	Future course of action
5	4(1) Chairman is working separately from CEO	At present Chairman is performing the responsibility of CEO, as the CEO has not been appointed yet. However in the previous years, exemption from appointment of Chief Executive Officer was available which remained valid till 2019. Thereafter, application was moved for renewal of this exemption at par with initiating the procedure for appointment of CEO. In the latest correspondence the commission has held in letter no. SD/OS-/242/F/02/2017-52 that " *It is informed that the Company's application dated June 05, 2020 seeking exemption from Rule 4(1) in terms of Rule 24(3) of the Public Sector Companies (Corporate Governance) Rules, 2013 (the PSC Rules) has been referred to the relevant department of the Commission for further processing.*"	The BOD has proceeded for appointment of CEO and soon the procedure will be completed.
7	5(2) Evaluated the candidate for the position of the CEO	On the recommendation of BODs and advice of the Federal Government (M/o Commerce), Islamabad, the post of Chief Executive Officer (CEO) in Faisalabad Garment City Company (FGCC), Faisalabad was advertised in the press on 30th June, 2021. In response 14 candidates applied for the post and the Short Listing/ Scrutiny Committee examined their credentials/ record/ documents but unfortunately none of them could qualify during the short-listing process.	BODs unanimously accepted the Report of Scrutiny / short-listing Committee and approved to go for re-advertisement of the post of CEO within 10 days and receipt of online applications.

REHAN NASEEM BHARARA
CHAIRMAN
FAISALABAD GARMENT CITY COMPANY

Chairman
Faisalabad Garment City Company
1-1/2 KM Sahianwala Road,
Khurrianwala, Faisalabad.