

ANNUAL REPORT | 2021

MASOOD TEXTILE MILLS LIMITED

GLOBALIZING APPAREL

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COMPANY INFORMATION

CHAIRMAN	MR. NASEER AHMAD SHAH
CHIEF EXECUTIVE OFFICER	MR. SHAHID NAZIR AHMAD
DIRECTORS	MR. SHABIR AHMAD ABID (Independent Director)
	MR. SHAHID IQBAL (Independent Director)
	MR. SHOAIB AHMAD KHAN (NIT-Nominee)
	(MS CHEN YAN (Nominee-Shanghai Challenge Textile Co. Ltd.)
	MR. SHIBIN YANG (Nominee-Shanghai Challenge Textile Co. Ltd.)
COMPANY SECRETARY	MR. NISAR AHMAD ALVI
CHIEF FINANCIAL OFFICER	MR. MUHAMMAD SHAHID NAVEED
AUDIT COMMITTEE	MR. SHABIR AHMAD ABID (Chairman)
	MR. NASEER AHMAD SHAH
	MR. SHAHID IQBAL
HR & REMUNERATION COMMITTEE	MR. SHAHID IQBAL (Chairman)
	MR. SHAHID NAZIR AHMAD
	MR. SHABIR AHMAD ABID
AUDITORS	M/S RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
REGISTERED OFFICE	UNIVERSAL HOUSE, P-17/1, NEW CIVIL LINES, BILAL ROAD, FAISALABAD PHONE: 041-2600176-276 FAX: 041-2600976
MILLS	32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 37th Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, 17/1 New Civil Lines, Bilal Road, Faisalabad on Thursday, 28th October, 2021 at 11.00 A.M. to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 28th October, 2020.
2. To receive, consider and adopt the Chairman's Review Report, Reports of Directors and Auditors together with Audited Annual Financial Statements of the Company for the year ended 30th June, 2021.
3. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2022. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.
4. To consider any other business that may be placed before the meeting with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 06th October, 2021

(Company Secretary)

NOTES:

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 21st to 28th October, 2021 (both days inclusive). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 20th October, 2021 will be treated in time.
2. Share Transfer Books for Preference Shares of the Company will remain closed from 21st to 28th October, 2021 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR+200 bps p.a. (Rs. 0.93 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 20th October, 2021 will be treated in time.
3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith. However, Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights.
4. Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting.
5. Pursuant to Finance Act, 2021, the Company is liable to withhold Income Tax @ 15 % from the Filers and 30 % from the Non-Filers under the provisions of Section 150

of the Income Tax Ordinance, 2001. Kindly ensure your status from Active Tax Payer's List, available at FBR's website, before disbursement of Dividend by the Company. Individuals without CNIC(s) will be treated Non-Filers, since their status cannot be verified from FBR.

6. The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980. Moreover, the shareholders who have not yet submitted their Computerized National Identity Cards to the Company are requested once again to send attested copies thereof at their earliest. Otherwise, their Dividend will be withheld for lack of complete information.
7. The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company. In case of non-submission, all future dividend payments may be withheld.
8. Shareholders who have not collected their Dividend/Physical shares so far are advised contact our Share Registrar to collect/enquire about their Unclaimed Dividend or Share, if any.
9. As per Section 72 of The Companies Act, 2017 every existing company shall replace its physical shares with book-entry form in a manner as may be specified and from the date notified by The SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017. The shareholders holding shares in physical form are requested to please convert their shares in the book entry form. For this purpose, the shareholders may open CDC Sub-account with any of the brokers or investor account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares at any time they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.
10. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least (7) days prior to the date of the meeting on the Standard Form available on the Company's website: www.masoodtextile.com
11. Pursuant to the provision of Section 223(6) of the Companies Act, 2017, the Companies are permitted to circulate their annual financial statements, along with the Auditor's report, director review report etc. ("Annual Report") and the notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and Notice of Annual General Meeting by E-mail are requested to provide the complete Electronic Communication Consent Form (available at the Company's Website) to the Company's Share Registrar.

CHAIRMAN'S REVIEW

Dear Shareholders

It is a great pleasure for me to present the Chairman's Review on the overall performance of the Board. The collective efforts of the Board reflected through Annual Report for the financial year ended 30th June, 2021.

Fortunately, our country has been less affected by COVID-19 as it navigated the pandemic relatively well. The economy suffered during the pandemic but recovery began at the mid of the reporting year. Economics activity has largely normalized with an improvement in the overall business environment. The overall economic situation along with well contained pandemic, the company has encouraging results.

The Country's financial year has commenced with positive indicators as business activity gets back to normal and investor confidence is restored. The improved vaccination drive has further raised hopes of curbing the effect of COVID 19 and aiding the economics turnaround.

I wish to thank all stakeholders, for their untiring efforts in achieving good results under difficult circumstances.

I am pleased to express that the overall performance of the Board remained satisfactory and the Directors have played their role effectively while fulfilling their responsibilities in accordance with law and achieving the company's objectives in the best interest of the Shareholders.

FAISALABAD
06th October, 2021

CHAIRMAN

چیئر مین کا جائزہ:-

محترم حصص یافتگان:-

بورڈ کی مجموعی کارکردگی پر چیئر مین کا جائزہ پیش کرنا میرے لئے باعث مسرت ہے۔ بورڈ کی اجتماعی کوششیں 30 جون 2021 کو ختم ہونے والے مالی سال کی سالانہ رپورٹ سے عیاں ہے۔

خوش قسمتی سے ہمارا ملک کوویڈ-19 سے کم متاثر ہوا ہے۔ کیونکہ ہم نے وہابی مرض کو نسبتاً بہتر انداز میں قابو کیا ہے۔ وہابی مرض کے دوران معیشت کو نقصان اٹھانا پڑا لیکن رپورٹنگ سال کے وسط میں معیشت کی بحالی شروع ہو گئی۔ مجموعی کاروباری ماحول میں بہتری کے ساتھ معاشیات کی سرگرمی بڑی حد تک معمول پر آ گئی ہے۔ وہابی امراض کے کنٹرول کے ساتھ ساتھ مجموعی معاشی صورتحال کے پیش نظر کمپنی کے نتائج حوصلہ افزا ہیں۔

ملک کا مالی سال مثبت اشاروں کے ساتھ شروع ہوا ہے۔ کیونکہ کاروباری سرگرمیاں معمول پر ہیں۔ اور سرمایہ کاروں کا اعتماد بحال ہوتا ہوا نظر آ رہا ہے۔ ویکسینیشن کی بہتر مہم نے کوویڈ-19 کے اثر کو روکنے اور معیشت کی بہتری کی امیدوں کو مزید بڑھایا ہے۔

میں تمام اسٹیک ہولڈرز کا ان مشکل حالات میں اچھے نتائج حاصل کرنے میں ان کی انتھک کوششوں کا شکریہ ادا کرنا چاہتا ہوں۔

مجھے یہ بتاتے ہوئے خوشی ہو رہی ہے۔ کہ بورڈ کی مجموعی کارکردگی تسلی بخش رہی اور ڈائریکٹرز نے قانون کے مطابق اپنی ذمہ داریوں کو پورا کرتے ہوئے اور کمپنی کے مقاصد جو حصص یافتگان کے بہترین مفاد میں ہوں ان کو حاصل کرنے میں اپنا کردار موثر انداز میں ادا کیا۔

چیئر مین

فیصل آباد

06 اکتوبر 2021

DIRECTORS' REPORT TO THE MEMBERS

The directors of your Company have pleasure in presenting their report, together with 37th annual report of the Company containing Audited Financial Statements and Auditors Report thereon for the year ended June 30, 2021.

Market Overview

Economic & Business Environment

The pandemic engulfed the whole world and ravaged the health care system of many developed nations. Pakistan successfully dealt with waves of the COVID-19 with smart lockdown and improved containment strategies which aided in managing the reported cases and the resumption of economic activities.

The impact of the government's timely and appropriate measures is visible in the form of a v-shaped economic recovery on the back of broad-based growth across all sectors. The GDP growth rate for FY2021 stood at 3.94 percent, higher than the targeted growth of 2.1 percent, for the outgoing fiscal year. The government is monitoring the country's situation actively and is taking necessary measures to facilitate the overall Textile Industry. The performance of manufacturing sector has been encouraging during the year. Government monetary relief provided by SBP uplifted the bearish economic environment during the period.

Company's Performance

The Company's financial results have been positive and encouraging. During the financial year ended June 30, 2021, company earned a gross profit of Rs. 5.307 billion on sales of Rs. 37.089 billion as compared to gross profit of Rs. 1.366 billion on sales of Rs. 28.669 billion for the previous financial year ended by June 30, 2020. Sale of the Company has increased by 29.37% from the previous financial year. This increase of Textile Sector in Pakistan is performing well due to robust demand from the international market. The Company recorded a net profit of Rs. 640.535 million (Earning per share: Rs. 9.06 per share), as compared to net loss of Rs. (4.120) billion (Loss per share: Rs. (61.75) per share) for the last financial year. This outstanding recovery was made possible with management's focused and committed efforts towards best utilization of our resources in addition to the praiseworthy role of all our staff in making the company profitable again through their untiring efforts. The comparative financial results of the Company are reproduced hereunder:

Financial Highlights

	2021	2020
	(RUPEES IN THOUSAND)	
REVENUE	37,089,359	28,668,642
COST OF SALES	<u>(31,782,449)</u>	<u>(27,302,890)</u>
GROSS PROFIT	5,306,910	1,365,752
DISTRIBUTION COST	(2,262,880)	(2,149,418)
ADMINISTRATION EXPENSES	(854,396)	(716,404)
OTHER EXPENSES	(313,068)	(972,665)
OTHER INCOME	443,433	420,371
FINANCE COST	<u>(1,281,812)</u>	<u>(1,699,286)</u>
PROFIT/ (LOSS) BEFORE TAXATION	1,038,187	(3,751,650)
TAXATION	<u>(397,652)</u>	<u>(368,629)</u>
PROFIT / (LOSS) AFTER TAXATION	<u>640,535</u>	<u>(4,120,279)</u>
EARNINGS/(LOSS) PER SHARE – BASIC (RUPEES)	<u>9.06</u>	<u>(61.75)</u>
- DILUTED (RUPEES)	<u>8.24</u>	<u>(56.90)</u>

Economic activity is slowly getting back to normal and business confidence has returned. There has been tremendous increase in our gross profit from the last financial year. During this period, which was dominated by the global spread of the COVID-19 pandemic, productions in Pakistan, by and large, remained undisrupted as compared to many other textile producing countries. Resultantly, there was a major shift of demand to Pakistan from international markets.

The Government handling of the COVID-19 situation as well as the support to the manufacturing sector in general by the State bank of Pakistan instilled a lot of confidence in the manufacturing sector. Government favorable reforms for the sustainable growth have built investor's confidence and allowed the local industry to flourish in local and international market.

Future Plans:

Government is taking positive steps which will help to boost the competitiveness of Pakistan's economy and lay a strong foundation for more robust and sustainable recovery. The support provided by the State Bank of Pakistan in terms of the concessionary finance for long term investments has also encouraged the sector to expand tremendously.

Subject to ongoing economic stability and the impacts of COVID-19 being kept under control, the company strongly believes its management team and factory workforces together with our customers' businesses remaining healthy will ensure that sales targets for the coming year will be achieved.

The major challenge for the textile industry is low production of cotton as compare to domestic requirement which has resulted increase in cotton prices. anticipated import of cotton would practically neutralize the impact of higher textile exports. That would cost heavily to a country that struggling to reduce trade deficit. Moreover, mounting dollar-rupee disparity is another worry which would increase the cost of imported cotton and necessary inputs. We therefore urge the Government to take further remedial measures to ensure that economy stays on the right path.

Dividend

The directors in its meeting have not proposed payment of ordinary dividend due to financial constraints and working capital requirements.

The Company had issued 60.000 million Preference Shares of the value of Rupees 600.000 million, redemption of these preference shares after the expiry of their maturity is at the option of the Company. Preference dividend is payable on the basis of the average six months KIBOR+200 bps per annum and accordingly Preference Dividend (accumulated) of Rupee 1.53 per share financial year 2020 and Rupees 0.93 for financial year 2021 has been computed against balance of 31,166,668 Preference shares.

Corporate Governance

The board of directors and management are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulation 2019 and Rule Book of Pakistan Stock Exchange. The company remains committed to the principles of good corporate management practice with emphasis on transparency and disclosures. Your Company is cognizant to monitor its operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

In compliance of corporate laws, the Board Member / Directors are pleased to confirm the followings:

- a) The financial statement prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and change in equity.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statement and accounting estimates are based on reasonable and prudent judgment.

- d) International Financial Reporting Standard, as applicable in Pakistan, have been followed in the preparation of financial statements.
- e) The system of internal controls is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the company's ability to continue as going concern.
- g) Statement of pattern of Shareholding has been included as part of this annual report.

Key Operating and Financial Data

The key operating and financial data for last six years is given in this report.

Composition of the Board

In line with the requirements of the Code of Corporate Governance, the company encourages representation of independent and non-executive directors, as well gender diversity on its Board.

The composition of the Board is as follows:

Total Number of Directors: 7 including

- (a) Male 06
- (b) Female 01

Composition of the Board:

- (a) Independent Directors 02
- (b) Non-Executive Directors 04
- (c) Executive Director 01

Board of Directors Meetings

Four meetings of the Board of Directors were held during the financial year, with the following attendance:

Sr. No.	Name of Directors	Designation	No. of Meetings Attended
1-	Mr. Naseer Ahmad Shah	Chairman	4
2-	Mr. Shahid Nazir Ahmad	Chief Executive Officer	4
3-	Mr. Shabir Ahmad Abid	Independent Director	4
4-	Mr. Shahid Iqbal	Independent Director	4
5-	Mr. Shoaib Ahmad Khan (Nominee- NIT)	Director	3
6-	Miss Chen Yan (Nominee - Shanghai Challenge Tex.Co.Ltd.)	Director	2
7-	Mr. Shubin Yang (Nominee - Shanghai Challenge Tex.Co.Ltd.)	Director	3

Audit Committee Meetings

Five meetings of the Audit Committee were held during the financial year, with the following attendance:

Sr. No.	Name of Members	Designation	No. of Meeting Attended
1-	Mr. Shabir Ahmad Abid	Chairman	5
2-	Mr. Naseer Ahmad Shah	Member	5
3-	Mr. Shahid Iqbal	Member	5

Human Resource & Remuneration Committee

One meeting of the Human Resource & Remuneration Committee was held during the financial year, with the following attendance:

Sr. No.	Name of Members	Designation	No. of Meeting Attended
1-	Mr. Shahid Iqbal	Chairman	1
2-	Mr. Shahid Nazir Ahmad	Member	1
3-	Mr. Shabir Ahmad Abid	Member	1

Risk Management Committee

One meeting of the Risk Management Committee was held during the financial year, with the following attendance:

Sr. No.	Name of Members	Designation	No. of Meeting Attended
1-	Mr. Shahid Nazir Ahmad	Chairman	1
2-	Mr. Shahid Iqbal	Member	1
3-	Mr. Naseer Ahmad Shah	Member	1

Nomination Committee

One meeting of the Nomination Committee was held during the financial year, with the following attendance:

Sr. No.	Name of Members	Designation	No. of Meeting Attended
1	Mr. Naseer Ahmad Shah	Chairman	1
2-	Mr. Shahid Iqbal	Member	1
3-	Mr. Shabir Ahmad Abid	Member	1

The Board is responsible for making decision with respect to important management matters, including the execution of important business activities and other matters as prescribed by law. These decisions are made after deliberating such matter according to the established criteria, assessing risks and giving such matters due consideration. The Board is also responsible for supervising and monitoring the conduct of duties.

Director's Remuneration

The Board of Directors has devised the policy for the determination of remuneration. Following are its salient features.

The Company will not pay any remuneration to its Non-Executive Directors except as meeting fee for attending the Board and its committee meetings.

The remuneration of directors and meeting fee shall be determined and approved by the Board of Directors. Remuneration package is designed to attract suitable candidate and talent on the Board.

A Director is provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by him for attending meetings of the Board, its committees.

Adequacy of Internal and Financial Controls

The Board of Directors has established an effective system of Internal and Financial Controls that ensure:

Effective and efficient conduct of operations

Safeguarding company assets

Compliance with applicable Laws and Regulations

Reliable Financial Reporting

Internal audit function of the Company regularly appraises and monitors the implementation of Standard Operating Procedures and respective financial controls.

Internal audit reports are presented to the Audit Committee, as per internal audit plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statement in its meetings.

External Auditors

The auditor's M/s Riaz Ahmed & Company, Chartered Accountants, retires and being eligible, has offered themselves for their re-appointment. The Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30th June, 2022.

Health, Safety, Environment and CSR

Health, Safety & Environment is our core value and the Company regularly takes initiatives towards the improvement of environment and well-being of society. We carry out regular health and safety awareness programs. The Company has also provided firefighting equipment and vehicles at all of its manufacturing facilities. A dedicated clinic/dispensary are managed by the qualified team where 24/7 emergency services are provided. Furthermore, In an effort to combat the COVID-19's impact on society, the Company is fully compliant with all SOPs. Vaccination drive was arranged for the employees in order to ensure health and safety of the employees. We also ensure the compliance of our production facility with all the environmental standards.

CSR is strategic, building long term relationships with neighboring communities and stakeholders. Relationships that are mutually beneficial enhance corporate reputation and respect for the Company's business and products, and provide a sustainable competitive advantage.

Acknowledgement

The Directors would take this opportunity to appreciate the efforts made by the workers, staff and the management for achieving these results in the unprecedented difficult circumstances and also grateful for the continued support of Company's stakeholders especially to the shareholders, bankers and its customers. I would also take this opportunity to express my gratitude to the Board for their valuable insight and guidance.

FAISALABAD

06th October, 2021

CHIEF EXECUTIVE OFFICER

DIRECTOR

ڈائریکٹر رپورٹ برائے حصص یافتگان

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2021ء کو اختتام پذیر ہونے والے مالی سال کی 37 ویں ڈائریکٹر رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مارکیٹ کا جائزہ

معاشی اور کاروباری حالات :-

وبائی مرض نے پوری دنیا کو اپنی لپیٹ میں لے لیا ہے۔ اور کئی ترقی یافتہ ممالک کے صحت کے نظام کو تباہ کر دیا۔ پاکستان نے سمارٹ لاک ڈاؤن اور بہت کنٹرول کی حکمت عملی کے ساتھ کوویڈ-19 کی لہروں سے کامیابی سے نمٹا جس نے رپورٹ شدہ مالی مسائل کے بہتر انتظام اور معاشی سرگرمیوں کی بحالی میں مدد کی ہے۔

حکومت کے بروقت اور مناسب اقدامات کے اثرات تمام صنعتوں میں وسیع بنیاد پر ترقی کی پشت پر ایک وی شکل کی معاشی بحالی کی صورت میں نظر آئے ہیں۔ مالی سال 2021 کے لیے جی ڈی پی کی شرح نمو 3.94 فی صد رہی جو رواں مالی سال کے لئے 2.1 فی صد کی شرح نمو سے زیادہ ہے، حکومت ملک کی صورت حال کو خاص طور پر مانیٹر کر رہی ہے۔ اور ٹیکسٹائل کو مجموعی سہولت دینے کے لئے اقدامات کر رہی ہے۔ سال کے دوران پیداواری شعبہ کی کارکردگی حوصلہ افزا رہی ہے۔ اسٹیٹ بینک کی طرف سے فراہم کردہ حکومتی مالی امداد نے اس عرصے کے دوران معاشی ماحول کو بلند کیا۔

کمپنی کی کارکردگی :-

کمپنی کے مالی نتائج حوصلہ افزا رہے ہیں۔ 30 جون 2021 کو اختتام پذیر ہونے والے سال کے دوران آپ کی کمپنی نے 37.089 ارب کی فروخت پر 5.307 ارب مجموعی منافع کمایا۔ جبکہ 30 جون 2020 کو اختتام پذیر ہونے والے مالی سال میں 28.669 ارب کی فروخت پر 1.366 ارب مجموعی منافع تھا۔ کمپنی کی فروخت میں گزشتہ مالی سال کے مقابلے میں 29.37 فی صد اضافہ ہوا۔ پاکستان میں ٹیکسٹائل سیکٹر کا یہ اضافہ بین الاقوامی مارکیٹ سے مضبوط مانگ کی وجہ سے اچھی کارکردگی کا مظاہرہ کر رہا ہے۔ کمپنی نے 640.535 ملین روپے خالص منافع کمایا (فی حصص آمدنی 9.06 روپے فی حصص) رہی۔ جبکہ گزشتہ مالی سال میں کمپنی کو (4.120) ارب روپے کا خالص نقصان (فی حصص نقصان 61.75 روپے) ہوا تھا۔ یہ قابل ذکر بحالی ہمارے وسائل کے بہترین استعمال کی طرف نتیجے کی توجہ اور پر عزم کوششوں سے ہے اور ساتھ ساتھ کمپنی کے منافع بخش بنانے میں ہمارے تمام عملے کے قابل متانہ کردار سے ممکن ہوئی ہے۔

مالی سرخیاں :-

کمپنی کے مالی نتائج کا موازنہ درج ذیل ہے۔

تفصیل	2021	2020
روپے ہزاروں میں	روپے ہزاروں میں	
آمدنی	37,089,359	28,668,642
لاگت	(31,782,449)	(27,302,890)
مجموعی ملے	5,306,910	1,365,752
اسٹریٹجی ٹرچ	(2,262,880)	(2,149,418)
کاروبار کے انتظامی اخراجات	(854,398)	(718,404)
دیگر اخراجات	(313,068)	(972,665)
دیگر آمدن	443,433	420,371
مالی لاگت	(1,281,812)	(1,699,288)
(تھکان) لے لگس سے پہلے	1,038,187	(3,751,850)
ابا کردہ جیسر	(397,652)	(388,629)
(تھکان) لے لگس کی ادائیگی کے بعد	640,535	(4,120,279)
(تھکان) آمدنی فی حصص بنیادی (روپے)	9.08	(81.75)
(تھکان) آمدنی فی حصص (ایڈجسٹڈ) کی کر کے (روپے)	8.24	(56.90)

معاشی سرگرمیاں آہستہ آہستہ معمول پر آرہی ہیں۔ اور کاروباری اعتماد واپس آیا ہے۔ گزشتہ مالی سال سے ہمارے مجموعی نتائج میں زبردست اضافہ ہوا ہے۔ اس عرصے کے دوران، جو کہ کوویڈ-19 وبا کی مرض کے مالی پھیلاؤ کا مظہر تھا۔ بہت سے دوسرے ٹیکسٹائل پیدا کرنے والے ممالک کے مقابلے میں پاکستان میں پیداوار بلا تھقل رہی۔ اس کے نتیجے میں بین الاقوامی منڈیوں سے پاکستان کی مصنوعات کی مانگ میں بڑی تہدیلی آئی۔

حکومت نے کوویڈ-19 کی صورت حال کے ساتھ ساتھ پیداواری شعبے کو اسٹیٹ بینک آف پاکستان کی طرف سے مدد دینے سے پیداواری شعبہ میں بہت اعتماد پیدا ہوا۔ پائیدار ترقی کے لئے حکومتی سازگار اصلاحات نے سرمایہ کاروں کا اعتماد بڑھایا ہے۔ اور مقامی صنعت کو مقامی اور بین الاقوامی مارکیٹ میں بچنے میں مدد کی ہے۔ مستقبل کے منصوبے :-

حکومت مثبت اقدامات کر رہی ہے۔ جس سے پاکستان کی معیشت کی مسابقت کو بڑھانے میں مدد ملے گی۔ اور مزید بحالی کی مضبوط اور پائیدار بنیاد رکھی جائے گی۔ اسٹیٹ بینک آف پاکستان کی جانب سے طویل مدتی سرمایہ کاری کے لئے رعایتی فنانس کے حوالے سے فراہم کردہ معاونت نے بھی اس شعبے کو زبردست وسعت دینے کی ترغیب دی ہے۔

جاری معاشی استحکام اور کوویڈ-19 کے اثرات کو کنٹرول میں رکھتے ہوئے، کمپنی کا پختہ یقین ہے۔ کہ اس کی انتظامی ٹیم اور ٹیکسٹری کی افرادی قوت کے ساتھ مل کر ہمارے صارفین کے کاروبار وسعت مندر ہیں گے۔ اور اس بات کو یقینی بنائیں گے کہ آنے والے سال کے لئے فروخت کے اہداف کو حاصل کیا جائے۔

ٹیکسٹائل انڈسٹری کے لئے سب سے بڑا چیلنج مقامی ضرورت کے مقابلے میں کمپاس کی کم پیداواری وجہ سے قیمتوں میں اضافہ ہوا ہے۔ کمپاس کی تیز تر درآمد ٹیکسٹائل کی زیادہ برآمدات کے اثرات کو عملی طور پر بے اثر کر دے گی۔ چھاتی خسارہ کم کرنے کے لئے جدوجہد کرنے والے ملک کو اس کی بھاری قیمت چکانی پڑے گی۔ مزید یہ کہ ڈالر اور روپے کی بڑھتی ہوئی تفاوت ایک اور تشویش ہے۔ جو درآمد شدہ کمپاس اور ضروری ان پٹس کی لاگت میں اضافہ کرے گی۔ لہذا ہم حکومت پر زور دیتے ہیں۔ کہ وہ مزید اصلاحی اقدامات کرے تاکہ یہ یقینی بنایا جاسکے کہ معیشت صحیح راستے پر ہے۔

حصہ ا منافع :-

ڈائریکٹرز نے اپنے اجلاس میں مالی رکاوٹوں اور ورکنگ سرمایہ کی ضرورت کی وجہ سے عام منافع کی ادائیگی کی تجویز نہیں دی ہے۔ کمپنی نے 800.000 ملین روپے کی مالیت کے 60.000 ملین ترجیحی حصص جاری کیے تھے ان ترجیحی حصص کی مدت پوری ہونے کے بعد ان کی واپسی کمپنی کے اختیار میں ہے۔ مالی سال 2020 کے دوران ترجیحی حصص کی واپسی متاثر نہیں ہوئی۔ ترجیحی منافع سالانہ اوسط چھ ماہ کے KIBOR+200BPS کی بنیاد پر قابل ادائیگی ہے اور اس حساب سے پچھلے سال کا منافع فی حصص 1.53 روپے کی منافع اور موجودہ سال کا منافع فی حصص 0.93 روپے کی منافع کا حساب اور بتایا 31,166,668 ترجیحی حصص پر حساب اکاؤنٹس کی کتابوں میں کیا گیا ہے۔

کارپوریٹ گورنس :-

بورڈ آف ڈائریکٹرز اینڈ مینجمنٹ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنس) مریٹ ٹیمپلٹن 2019 اور رول بک آف پاکستان اسٹاک ایکسچینج کے تحت اپنی ذمہ داریوں سے آگاہ ہیں۔ کمپنی شفافیت اور انکشافات پر زور دینے کے ساتھ کارپوریٹ مینجمنٹ کی اچھی پریکٹس کے اصولوں کے پابند ہے آپ کی کمپنی مالی اور غیر مالی معاملات کی درجگی جامعیت اور شفافیت کو بڑھانے کے لئے اپنے کاموں اور کارکردگی کی نگرانی کرنے میں منجیدہ ہے کارپوریٹ قوانین کی تعمیل میں بورڈ ممبر، ڈائریکٹرز، مینیجمنٹ کے بیان کیے گئے بیانات پر عمل پیرا رہتی ہے۔

- 1- کمپنی کی انتظامیہ کے پیش کردہ مالیاتی بیانات کی صورت حال، کاروباری سرگرمیوں کے نتائج، یکیش، فلوژ اور انکوائنی میں بدلاؤ کے بارے میں ایک عمدہ نظریہ پیش کرتے ہیں۔
 - 2- اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
 - 3- مالیاتی بیانات کی تیاری میں اکاؤنٹنگ کی پالیسیاں مستقل طور لاگو ہوتی ہیں۔ اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
 - 4- مالیاتی بیانات کی تیاری کے سلسلے میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو پاکستان میں قابل اطلاق ہیں، عمل کیا گیا ہے۔
 - 5- انٹرنل کنٹرول کا نافذ نظام بہترین انداز سے بنایا گیا ہے اور اسے موثر انداز میں لاگو کیا گیا ہے۔
 - 6- کمپنی کے کاروبار کے رواں دواں رکھنے کی صلاحیت، شکوک و شبہات سے بالاتر ہے۔
 - 7- حصص یافتگان کا طریقہ کار کو بھی اس سالانہ رپورٹ میں شامل کیا گیا ہے۔
- کلیدی آپریٹنگ اور مالیاتی اعداد و شمار :-
- اس رپورٹ میں پچھلے 6 سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار دیے گئے ہیں۔

بورڈ کی تشکیل :-

کوڈ آف کارپوریٹ گورنس کی ضروریات کے مطابق کمپنی اپنے بورڈ میں آزاد اور نان ایگزیکٹو ڈائریکٹرز کی نمائندگی کے ساتھ ساتھ صنعتی نوع کی بھی حوصلہ افزائی کرتی ہے۔

بورڈ کی تشکیل کی بیرونی :-

کل ڈائریکٹرز کی تعداد - 7

(الف) مرد 6

(ب) عورت 1

بورڈ کی تشکیل :-

آزاد ڈائریکٹرز

نان ایگزیکٹو ڈائریکٹرز

ایگزیکٹو ڈائریکٹرز

ڈائریکٹرز کا اجلاس :-

ڈائریکٹرز کی چار میٹنگز مالی سال کیلئے منعقد ہوئی جو درج ذیل ہیں۔

نمبر شمار	ڈائریکٹر کا نام	مہدہ	اجلاس حاضری کی تعداد
1	جناب نسیم احمد شاہ	چیرمین	4
2	جناب شاہد نذر احمد	چیف ایگزیکٹو آفیسر	4
3	جناب شیر احمد عابد	آزاد ڈائریکٹرز	4
4	جناب شاہد اقبال	آزاد ڈائریکٹرز	4
5	جناب شعیب احمد خان (منتخب NIT)	ڈائریکٹرز	3
6	سجنان (منتخب گھمائی پینچ لیڈنگ کپٹن لہند)	ڈائریکٹرز	2
7	جناب شیام لاکھ (منتخب گھمائی پینچ لیڈنگ کپٹن لہند)	ڈائریکٹرز	3

آؤٹ کمیٹی کا اجلاس :-

مالی سال کے دوران آؤٹ کمیٹی کے پانچ اجلاس منعقد ہوئے جس کی حاضری مندرجہ ذیل ہے۔

نمبر شمار	ممبر کے نام	مہدہ	اجلاس حاضری کی تعداد
1	جناب شیر احمد عابد	چیرمین	5
2	جناب نسیم احمد شاہ	ممبر	5
3	جناب شاہد اقبال	ممبر	5

انسانی وسائل اور معاوضے کی کمیٹی :-

مالی سال کے دوران انسانی وسائل اور معاوضے کی کمیٹی کا ایک اجلاس منعقد ہوا جس کی حاضری مندرجہ ذیل ہے۔

نمبر شمار	ممبر کے نام	مہدہ	اجلاس حاضری کی تعداد
1	جناب شاہد اقبال	چیرمین	1
2	جناب شاہد نذر احمد	ممبر	1
3	جناب شیر احمد عابد	ممبر	1

ریک منیجٹ کمیٹی :-
مالی سال کے دوران ریک منیجٹ کی کمیٹی کا ایک اجلاس منعقد ہوا جس کی حاضری مندرجہ ذیل ہے۔

نمبر سہر	ممبرز کے نام	عہدہ	اجلاس حاضری کی تعداد
1	جناب شاہد نیر احمد	چیرمین	1
2	جناب شاہد اقبال	ممبر	1
3	جناب نصیر احمد شاہ	ممبر	1

نامزدگی کمیٹی :-
مالی سال کے دوران نامزدگی کی کمیٹی کا ایک اجلاس منعقد ہوا جس کی حاضری مندرجہ ذیل ہے۔

نمبر سہر	ممبرز کے نام	عہدہ	اجلاس حاضری کی تعداد
1	جناب نصیر احمد شاہ	چیرمین	1
2	جناب شاہد اقبال	ممبر	1
3	جناب شہیر احمد عابد	ممبر	1

بورڈ انتظامیہ کے اہم امور کے حوالے سے فیصلہ کرنے کا ذمہ دار ہے۔ بشمول اہم کاروباری سرگرمیوں پر عمل درآمد اور دیگر معاملات جو قانون کے ذریعہ تجویز کردہ ہیں یہ فیصلے طے شدہ معیارات کے مطابق اس طرح کے معاملے پر غور و فکر، خطرات کا جائزہ لینے اور اس طرح کے معاملات پر مناسب غور کرنے کے بعد کیے جاتے ہیں۔ بورڈ فراہم کی انجام دہی کے لئے بھی نگرانی کرنے کا ذمہ دار ہے۔

ڈائریکٹرز کا معاوضہ :-

بورڈ آف ڈائریکٹرز نے معاوضے کے عزم کے لیے پالیسی مرحب کی ہے۔ اس کی نمایاں خصوصیات مندرجہ ذیل ہیں۔
کمیٹی اپنے نان ایگزیکٹو ڈائریکٹرز کو مساوی بورڈ اور اس کی کمیٹی کے اجلاس کی فیس کے علاوہ کوئی معاوضہ ادا نہیں کرے گی۔ ڈائریکٹرز کے معاوضے اور اجلاسوں کی فیس کا تعین بورڈ آف ڈائریکٹرز کی منظوری کے ذریعے دی جائے گی۔ معاوضہ پنچ بورڈ میں مناسب امیدوار اور ملازمین کو راغب کرنے کے لیے ڈیزین کیا گیا ہے۔ ایک ڈائریکٹر کو ستر کے اخراجات، بورڈ روم، رہائش اور دیگر اخراجات بورڈ کے اجلاس میں شرکت کے لئے ادا کیے جاتے ہیں۔

داخلی اور مالیاتی کنٹرول کی قابلیت :-

بورڈ آف ڈائریکٹرز نے اندرونی اور مالیاتی کنٹرول کا ایک موثر نظام قائم کیا ہے جس کو اس طرح چینی بتایا جاتا ہے۔

موثر اور پائیدار طریقہ عمل کو بروئے کار لانا

کمیٹی کے احاطوں کی حفاظت

قابل اطلاق قوانین اور ضوابط کی تعمیل

قابل اعتماد مالیاتی جائزے

کمیٹی کا اندرونی آڈٹ فنکشن باقاعدہ طور پر معیاری آپریشننگ طریقہ کار اور اس سے متعلق مالی کنٹرولوں کے نفاذ کی نگرانی کرتا ہے۔

داخلی آڈٹ کی رپورٹ داخلی آڈٹ پلان کے مطابق، آڈٹ کمیٹی اپنے اجلاسوں میں اندرونی کنٹرول فریم ورک کا تھیر اور مالی بیان کا جائزہ لیتی ہے۔

آؤٹسکریپٹ:-

آؤٹسکریپٹ ڈائریکٹر ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، ریسٹائر ہو رہے ہیں۔ اور اہل ہونے کے بعد انہوں نے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ آؤٹسکریپٹ اور بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے اگلے مالی سال کے لئے کمپنی کے آؤٹسکریپٹ کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

صحت، حفاظتی اور ماحولیاتی ذمہ داری:-

صحت، حفاظتی اور ماحولیاتی ذمہ داری ہماری بنیادی قدر ہے اور کمپنی معاشرے کی فلاح و بہبود اور ماحول کی بہتری کے لئے باقاعدگی سے اقدامات کرتی رہی ہے۔ ہم صحت اور حفاظت سے متعلق آگاہی کے باقاعدہ پروگرام چلاتے رہتے ہیں۔ کمپنی نے اپنی فراہم میں جو کچھ کمپنی کی تمام سہولیات پر قائم فائننگ کا سامان اور گاڑیاں بھی فراہم کی ہیں، تعلیم یافتہ ٹیم کے ذریعہ ایک مرتبہ، کلینک / ڈسپنسری کا انتظام ہے۔ جہاں 24/7 ہنگامی خدمات کی جاتی ہیں ہم ماحولیاتی معیارات کے ساتھ اپنی پیداواری سہولت کی تعمیل کو بھی یقینی بناتے ہیں۔ مزید یہ کہ معاشرے پر کوویڈ-19 کے اثرات کا مقابلہ کرنے کی کوشش میں کمپنی نے تمام SOPs کے ساتھ مکمل طور پر عملدرآمد کیا ہے۔ ملازمین کے لئے ویکسینیشن کا اہتمام کیا گیا تاکہ ملازمین کی صحت اور حفاظت کو یقینی بنایا جاسکے۔ ہم تمام ماحولیاتی معیارات کے ساتھ اپنی پیداواری سہولت کی تعمیل کو بھی یقینی بناتے ہیں۔ CRS حکمت عملی ہے، ہمسایہ معاشروں اور اسٹیک ہولڈرز کے ساتھ طویل مدتی تعلقات استوار کرتا ہے۔ باہمی فائدہ مند ہونے والے رشتے کارپوریٹ سماج میں اضافہ کے ساتھ کمپنی کے کاروبار اور مصنوعات کے احترام میں اضافہ کرتے ہیں اور ایک مستقل مستقبل قائم و مضبوط کرتے ہیں۔

اعتراف:-

اس موقع پر ڈائریکٹرز کی جانب سے ورکرز ملے اور انتظامیہ کی ان بے مثال مشکل حالات میں ان تہنک کو حاصل کرنے کے لئے کی جانے والی کوششوں کو سراہتے ہیں اور کمپنی کے اسٹیک ہولڈرز خصوصاً حصص یافتگان، بینکارز اور گاہکوں کی مسلسل مدد کے لیے شکر گزار ہیں۔ میں بورڈ سے ان قیمتی ہمسرت اور رہنمائی کے لئے شکریہ ادا کرنے کا یہ موقع بھی لوں گا۔

چیف ایگزیکٹو آفیسر

ڈائریکٹر

فیصل آباد 6- اکتوبر 2021

SIX YEARS FINANCIAL RESULTS

	2021	2020	2019	2018	2017	2016
	(RUPEES IN THOUSAND)					
REVENUE	37,089,359	28,668,642	34,211,379	30,842,159	23,393,876	23,183,495
COST OF SALES	(31,782,449)	(27,302,890)	(30,417,532)	(26,990,855)	(20,008,592)	(19,971,238)
GROSS PROFIT	5,306,910	1,365,752	3,793,847	3,851,304	3,385,284	3,212,247
DISTRIBUTION COST	(2,262,880)	(2,149,418)	(2,449,678)	(2,063,381)	(1,478,067)	(1,396,012)
ADMINISTRATIVE EXPENSES	(854,396)	(718,404)	(897,674)	(549,235)	(480,722)	(472,516)
OTHER EXPENSES	(313,068)	(972,685)	(48,649)	(108,238)	(10,675)	(48,644)
OTHER INCOME	443,433	420,371	2,353,372	1,070,524	218,041	341,212
FINANCE COST	(1,281,812)	(1,699,286)	(1,203,112)	(896,395)	(640,673)	(718,568)
PROFIT/(LOSS) BEFORE TAXATION	1,038,187	(3,751,650)	1,748,106	1,304,579	993,188	917,719

VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company **Masood Textile Mills Limited**

Year Ending **30th June, 2021**

The company has complied with the Requirements of the Regulations in the following manner:

1. The total number of directors are Seven (7) as per the following:

- a. Six (6) Male
- b. One (1) Female

2. The composition of board is as follows:

- | | |
|---------------------------|-------------------------|
| 1) Mr. Shabir Ahmad Abid | Independent Directors |
| 2) Mr. Shahid Iqbal | Independent Directors |
| 3) Mr. Naseer Ahmad Shah | Non-executive Directors |
| 4) Mr. Shibin Yang | Non-executive Directors |
| 5) Mr. Shoiab Ahmad Khan | Non-executive Directors |
| 6) Mr. Shahid Nazir Ahmad | Executive Director |
| 7) Ms. Chen Yan | Female Director |

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Company.

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

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

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

9. Three Board members has already completed Directors' Training Program for following directors named as

- Mr. Shabir Ahmad Abid
- Mr. Shahid Iqbal
- Mr. Naseer Ahmad Shah

and one Board member named as Mr. Shahid Naseer Ahmad is exempted from Directors' Training Program, the criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies. The Board has arranged Directors' Training Program for three non-Executive Directors during the year named as

- Mr. Shibin Yang
- Ms. Chen Yan
- Mr. Shoiab Ahmad Khan

and also for one Female Executive during the year named as

- Ms. Asma Aleem (DGM Spinning)

10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

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

a) Audit Committee

- | | |
|---------------------------|------------|
| i) Mr. Shabir Ahmad Abid | (Chairman) |
| ii) Mr. Naseer Ahmad Shah | (Member) |
| iii) Mr. Shahid Iqbal | (Member) |

b) HR and Remuneration Committee

- | | |
|----------------------------|------------|
| i) Mr. Shahid Iqbal | (Chairman) |
| ii) Mr. Shahid Nazir Ahmad | (Member) |
| iii) Mr. Shabir Ahmad Abid | (Member) |

c) Nomination Committee

- | | |
|---------------------------|------------|
| i) Mr. Naseer Ahmad Shah | (Chairman) |
| ii) Mr. Shabir Ahmad Abid | (Member) |
| iii) Mr. Shahid Iqbal | (Member) |

d) Risk Management Committee

- | | |
|---------------------------|------------|
| i) Mr. Shahid Nazir Ahmad | (Chairman) |
| ii) Mr. Naseer Ahmad Shah | (Member) |
| iii) Mr. Shahid Iqbal | (Member) |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

a) Audit Committee:

Five meetings of Audit Committee were held during the financial year ended June 30, 2021.

b) HR and Remuneration Committee:

One meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2021.

c) Nomination Committee:

One meeting of Nomination Committee was held during the financial year ended June 30, 2021.

d) Risk Management Committee

One meeting of Risk Management Committee was held during the financial year ended June 30, 2021.

15. The board has set up an effective internal audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of

Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief finance officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with, except for the Independent directors in which fraction is not rounded up as one because the fraction (0.33) was less than 0.5.

Faisalabad
06th October, 2021

Chief Executive Officer

Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Masood Textile Mills Limited

Review Report on the Statement of Compliance contained In Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Masood Textile Mills Limited (the Company) for the year ended 30 June 2021 in accordance with the requirements of Regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

RIAZ AHMAD & COMPANY
Chartered Accountants
Faisalabad

Date: 06 October, 2021



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

July 29, 2021

The purpose of this report is to provide an opinion on the Shariah Compliance of the Secured Privately Placed Sukuk of PKR 2,500 Million (Sukuk) issued by Masood Textile Mills Limited (Company).

It is the core responsibility of Masood Textile Mills Limited (Company) to Manage the Sukuk in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the Sukuk. We express our opinion based on the review of the information, provided by the issuer, to an extent where compliance with the Shariah guidelines can be objectively verified.

Keeping in view the above; we certify that:

We have reviewed all the transactions, documents, procedures adopted by the issuer as well as the operational activities of the Sukuk which included the review of all transactions and source of earning. We have found them to be in compliance with the Shariah Guidelines.

On the basis of information provided by the company, all operations and affairs have been carried out in accordance with the rules and principles of Shariah for the sukuk Year ended June 2021. The Sukuk is in compliance with the provided Shariah guidelines and there is no need to provide for any charity to purify the income. Therefore, it is resolved those investments in Secured Privately Placed Sukuk of PKR 2,500 million issued by Masood Textile Mills Limited is in accordance with Shariah principles as per the Shariah guidelines provided by the Shariah supervisory council.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt.) Limited.


Mufti Inshad Ahmad Ali
Member Shariah Council




Faraz Youngs Bandukda, CFA
Chief Executive

STATEMENT OF COMPLIANCE WITH THE SUKUK (PRIVATELY PLACED) REGULATIONS, 2017 AND ISSUE OF SUKUK REGULATIONS, 2015

This statement is being presented to comply with the requirements under "Issue of Sukuk Regulations, 2015" and "Sukuk (Privately Placed) Regulations, 2017" (the Regulations) issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance is for the year ended 30 June 2021.

Masood Textile Mills Limited entered into an arrangement for issue of Sukuk amounting to Rs. 2,500 Million inclusive of Green Shoe Option of PKR 1,000 Million, on December 09, 2019 for a period of 5 years including a grace period of 18 months. We state that the Company is in compliance with the Sukuk Features and Shari'ah Requirements in accordance with the Regulations.

We specifically confirm that:

The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk Features and Shari'ah Requirements.

The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk Features and Shari'ah Requirements, whether due to fraud or error;

The Company has a process to ensure that the management and where appropriate the Board of Directors, and personnel responsible to ensure the Company's compliance with the Sukuk Features and Shari'ah Requirements are properly trained and systems are properly updated.

The Sukuk Features and Shari'ah Requirements in accordance with issue of the Regulations comprises of the following:

a. Requirements of Shariah Structure and Transaction Documents to issuance of Sukuk:

- Trust Deed
- Musharka Agreements
- Payment Agreements
- Purchase Undertaking
- Asset Purchase Agreement
- Investment Agency Agreement
- Collection arrangement Agreement
- Security Documents

b. Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions, as notified by the SECP;

c. Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and

d. Other compliances specified in the Regulations as issued by the SECP.

The above Statement has been duly endorsed by the Board of Directors of the Company.

INDEPENDENT ASSURANCE REPORT

To the Board of Directors of Masood Textile Mills Limited

Report on Shari'ah Compliance of Privately Placed Sukuk

Introduction

We were engaged by the Board of Directors (the Board) of Masood Textile Mills Limited (the Company) to express an opinion on the annexed Statement of Compliance (Statement) prepared by the management for the year ended 30 June 2021, with Sukuk Features and Shari'ah Requirements as required under Issue of Sukuk Regulations, 2015 (repealed) and Sukuk (Privately Placed) Regulations, 2017 (the Regulations) and Shari'ah Opinion (Fatwa) as issued by the Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the statement) is assessed comprises of the provisions of the Regulations and Shari'ah Opinion (Fatwa) as issued by the Shari'ah Advisor.

Company's Responsibilities for Shari'ah Compliance

The Board and management of the Company are responsible for the preparation of the annexed Statement and to ensure that it is free from material misstatement. It is the responsibility of the Company's Board and management to ensure that all Sukuk arrangements, contracts and transactions are in substance and in their legal form, in compliance with the Sukuk Features and Shari'ah Requirements as specified above. The Company's Board and management are responsible for prevention and detection of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its Sukuk related activities and also for designing, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant records and such risk management system as the management determines is necessary to mitigate the risk of non-compliance of Sukuk Features and Shari'ah requirements whether due to fraud or error. They are also responsible for ensuring that personnel involved with the compliance with the Sukuk Features and Shari'ah Requirements are properly trained and systems are properly updated.

Our Independence and Quality Control

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. The firms apply International standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Statements, And Other Assurance and Related Service Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to examine the annexed Statement prepared by management and to report thereon in the form of independent assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standards on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The Standards requires that we plan and perform the engagement to obtain reasonable assurance regarding the subject matter i.e. about whether the annexed Statement presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

The procedures selected depend on our professional judgement including the assessment of the risk of the Company's non-compliance with the Sukuk Features and Shari'ah Requirements, whether due to fraud or error. In making those risk assessment, we have considered internal control relevant to ensure compliance with Sukuk Features and Shari'ah Requirements, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over ensuring compliance with Sukuk Features and Shari'ah Requirements.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Sukuk Features and Shari'ah Requirements, and consequently cannot provide absolute assurance that the objective of compliance with Sukuk Features and Shari'ah Requirement will be met.

The procedures performed included;

- Evaluation of the systems, procedures and practices in place with respect to Sukuk related transactions against the Features and Shari'ah Requirements;
- Verification that payments were made on time and there was no delay;
- Test for a sample of transactions to help ensure that these are carried out in accordance with the laid down procedures and practices; and
- Review of the Statement based on our procedures performed and conclusion reached.

Conclusion

Our conclusion has been formed on the basis of, and subject to, the matters outlined in the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our conclusion.

In our opinion, the annexed Statement prepared by management, for the year ended 30 June 2021, presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under the Regulation and Shari'ah Opinion (Fatwa) issued by Shari'ah Advisor, and to the extent applicable, the guidelines of Shari'ah Standards issued by AAOIFI, in all material respects.

RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: 06 October, 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Masood Textile Mills limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Masood Textile Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes 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 30 June 2021 and of the profit, other comprehensive income, the changes in equity 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.

Key Audit Matters

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

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	Inventory existence and valuation Inventories as at 30 June 2021 amounting to Rupees 13,528.032 million, break up of which is as follows:	Our procedures over existence and valuation of inventories included, but were not limited to: <ul style="list-style-type: none"> • To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory

Sr. No.	Key audit matters	How the matters were addressed in our audit
	<ul style="list-style-type: none"> - Stores, spare parts and loose tools of Rupees 2,244.531 million - Stock in trade of Rupees 11,283.501 million <p>Inventories are stated at lower of cost and net realizable value.</p> <p>We identified existence and valuation of inventories as a key audit matter due to its size, representing 33.48% of total assets of the Company as at 30 June 2021, and the judgment involved in valuation.</p> <p>For further information on inventories, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Inventories (Note 2.8 to the financial statements). - Stores, spare parts and loose tools (Note 17) and Stock in trade (Note 18) to the financial statements. 	<p>counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</p> <ul style="list-style-type: none"> • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets. • On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any. • In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. • We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required. • We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.
2.	<p>Revenue recognition</p> <p>The Company recognized revenue of Rupees 37,089.359 million for the year ended 30 June 2021.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue. • We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices,

Sr. No.	Key audit matters	How the matters were addressed in our audit
	<p>For further information on revenue recognition, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue from contracts with customers (Note 2.12 to the financial statements). - Revenue (Note 25 to the financial statements). 	<p>delivery documents and other relevant underlying documents.</p> <ul style="list-style-type: none"> • We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period. • We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'. • We compared the detail of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. • We also considered the appropriateness of disclosures in the financial statements.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in

Pakistan and the requirements of Companies 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.

Auditor's 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 override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- 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 Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Liaqat Ali Panwar.

RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: 06 October, 2021

STATEMENT OF FINANCIAL

	NOTE	2021 (RUPEES IN THOUSAND)	2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
125 000 000 (2020: 125 000 000) ordinary shares of Rupees 10 each		1,250,000	1,250,000
60 000 000 (2020: 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		<u>1,850,000</u>	<u>1,850,000</u>
Issued, subscribed and paid up share capital	3	986,666	986,666
Reserves			
Capital reserves			
Share premium	4.1	1,375,000	1,375,000
Redemption fund	4.2	128,333	128,333
Capital contribution	4.3	1,500,000	-
Surplus on revaluation of freehold land	4.4	2,447,552	2,447,552
		5,450,885	3,950,885
Revenue reserves	5	4,467,730	3,872,614
Total reserves		<u>9,918,615</u>	<u>7,823,499</u>
Total equity		<u>10,905,281</u>	<u>8,810,165</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	5,007,611	7,254,526
Lease liabilities	7	94,777	210,712
Deferred liabilities	8	1,087,926	964,354
		6,190,314	8,429,592
CURRENT LIABILITIES			
Trade and other payables	9	4,958,142	2,430,344
Unclaimed dividend		11,146	65,262
Unpaid dividend		47,682	-
Accrued mark-up	10	180,164	394,784
Short term borrowings	11	15,011,000	15,835,660
Current portion of non-current liabilities	12	2,733,292	862,473
Provision for taxation		390,384	388,629
		23,311,810	19,757,352
TOTAL LIABILITIES		<u>29,502,124</u>	<u>28,186,944</u>
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		<u>40,407,405</u>	<u>38,997,109</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

POSITION AS AT 30 JUNE 2021

	NOTE	2021 (RUPEES IN THOUSAND)	2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	13,589,405	13,612,031
Right-of-use assets	15	204,109	320,505
Long term advances	16	7,469	8,060
Long term security deposits		97,881	98,775
		<u>13,898,864</u>	<u>14,039,371</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	17	2,244,531	2,247,874
Stock in trade	18	11,283,501	8,125,188
Trade debts	19	7,435,280	7,763,851
Loans and advances	20	834,462	637,886
Income tax		893,994	933,016
Short term deposits and prepayments	21	228,064	139,727
Other receivables	22	3,163,017	1,834,188
Short term investments	23	108,771	203,218
Cash and bank balances	24	530,931	1,173,014
		<u>26,508,541</u>	<u>22,957,738</u>
TOTAL ASSETS		<u><u>40,407,405</u></u>	<u><u>36,997,109</u></u>

CHIEF FINANCIAL OFFICER

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 (RUPEES IN THOUSAND)	2020
REVENUE	25	37,089,359	28,668,642
COST OF SALES	26	<u>(31,782,449)</u>	<u>(27,302,890)</u>
GROSS PROFIT		5,306,910	1,365,752
DISTRIBUTION COST	27	(2,262,880)	(2,149,418)
ADMINISTRATIVE EXPENSES	28	(854,396)	(716,404)
OTHER EXPENSES	29	(313,068)	(972,665)
OTHER INCOME	30	443,433	420,371
FINANCE COST	31	<u>(1,281,812)</u>	<u>(1,699,286)</u>
PROFIT / (LOSS) BEFORE TAXATION		1,038,187	(3,751,650)
TAXATION	32	<u>(397,652)</u>	<u>(368,629)</u>
PROFIT / (LOSS) AFTER TAXATION		<u>640,535</u>	<u>(4,120,279)</u>
EARNINGS / (LOSS) PER SHARE - BASIC (RUPEES)	33	<u>9.06</u>	<u>(61.75)</u>
- DILUTED (RUPEES)	33	<u>8.24</u>	<u>(56.90)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

2021 2020
(RUPEES IN THOUSAND)

PROFIT / (LOSS) AFTER TAXATION	640,535	(4,120,279)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements arising on defined benefit obligation	2,263	20,623
Surplus on revaluation of freehold land	-	1,547,318
	2,263	1,567,941
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year	2,263	1,567,941
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>642,798</u>	<u>(2,552,338)</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

SHARE CAPITAL	RESERVES									TOTAL EQUITY
	CAPITAL					REVENUE			TOTAL	
	Share premium	Redemption fund	Capital contribution	Surplus on realisation of freehold land	Sub total	General	Unappropriated profit	Sub total		
(RUPEES IN THOUSAND)										
986,886	1,375,000	128,333	-	900,234	2,403,987	714,500	7,393,006	8,107,506	10,511,073	11,497,739
-	-	-	-	-	-	-	(101,250)	(101,250)	(101,250)	(101,250)
-	-	-	-	-	-	-	(33,986)	(33,986)	(33,986)	(33,986)
-	-	-	-	-	-	-	(4,120,279)	(4,120,279)	(4,120,279)	(4,120,279)
-	-	-	-	1,547,318	1,547,318	-	20,623	20,623	1,567,941	1,567,941
-	-	-	-	1,547,318	1,547,318	-	(4,099,656)	(4,099,656)	(2,552,338)	(2,552,338)
986,886	1,375,000	128,333	-	2,447,552	3,950,885	714,500	3,158,114	3,872,614	7,823,499	8,010,185
-	-	-	1,500,000	-	1,500,000	-	-	-	1,500,000	1,500,000
-	-	-	-	-	-	-	(47,682)	(47,682)	(47,682)	(47,682)
-	-	-	-	-	-	-	640,535	640,535	640,535	640,535
-	-	-	-	-	-	-	2,283	2,283	2,283	2,283
-	-	-	-	-	-	-	642,798	642,798	642,798	642,798
986,886	1,375,000	128,333	1,500,000	2,447,552	5,450,885	714,500	3,753,230	4,467,730	9,918,615	10,905,281

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

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

	NOTE	2021 (RUPEES IN THOUSAND)	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	1,903,605	1,601,208
Finance cost paid		(1,451,528)	(1,537,128)
Markup paid against lease liabilities		(18,646)	(24,998)
Income tax paid		(326,875)	(354,539)
Dividend paid to ordinary shareholders		(54,116)	(69,201)
Dividend paid to preference shareholders		-	(33,986)
Gratuity paid		(219,742)	(77,377)
Net decrease / (increase) in long term advances		591	(7,400)
Net decrease / (increase) in long term security deposits		894	(23,264)
Net cash used in operating activities		<u>(165,817)</u>	<u>(526,685)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		27,468	595,568
Capital expenditure on property, plant and equipment		(942,948)	(2,385,083)
Proceeds from disposal of investment		96,447	(103,218)
Net cash used in investing activities		(819,031)	(1,892,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,003,674	3,067,377
Repayment of long term financing		(1,161,892)	(1,270,297)
Capital contribution		1,500,000	-
Repayment of lease liabilities		(174,157)	(140,605)
Short term borrowings - net		(824,860)	1,555,494
Net cash from financing activities		<u>342,765</u>	<u>3,211,969</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(642,083)	792,551
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,173,014	380,463
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 24)		<u><u>530,931</u></u>	<u><u>1,173,014</u></u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. THE COMPANY AND ITS OPERATIONS

Masood Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited (PSX). Its registered office is situated at Universal House, P-17/1, New Civil Lines, Blial Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton / synthetic fiber yarn, knitted / dyed fabrics and garments.

Geographical locations and addresses of all business units (except for the registered office) of the Company are as follows:

Manufacturing units and offices	Address
Spinning, Knitting and Dyeing units	32 Kilometers, Sheikhupura Road, Faisalabad
Spinning Unit	Satyana Road, Faisalabad
Spinning Unit	3 Kilometers, Shorkot Road, Toba Tek Singh
Stitching Unit	Sargodha Road, Faisalabad
Stitching Units	Nishatabad, Faisalabad
Stitching Unit	Chak Jhumra Road, Nishatabad, Faisalabad
Stitching Units	Hajjabad, Sheikhupura Road, Faisalabad
Stitching Unit	Faisalabad Garments City Company, Khurianwala, Faisalabad
Liaison office	13 Kilometers, Bhubedian Chowk, Defence Road, Lahore
Liaison office	Office No. 306 - 307, Gul Tower, I.I. Chundrigar Road, Karachi

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) 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) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants 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 and IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except as otherwise stated in respective accounting policies.

c) Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of the 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 the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates underlying the 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. Information about the judgements made by the management in the application of accounting policies, that have the most significant effect on the amounts recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of assets and liabilities in the next year are as follows:

Staff retirement gratuity

Certain actuarial assumptions have been adopted as disclosed in Note 8.1 to the financial statements for determination of present value of gratuity. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, patterns of economic benefits and impairments

The estimate for revalued amount of freehold land is based on valuation performed by external professional valuer and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Any change in the estimates in future might affect the carrying amount of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales. Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2020:

- IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors';
- International Accounting Standards Board's revised Conceptual Framework – March 2018;
- IFRS 16 (Amendments) 'Leases';
- Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2021 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 01 January 2022, clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

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

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

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgment') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in its financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

COVID-19-Related Rent Concessions (Amendment to IFRS 16 'Leases') effective for annual reporting periods beginning on or after 01 April 2021. These amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 01 January 2021. The changes made relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The above amendments and improvements are likely to have no significant impact on the financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefit

The Company operates an unfunded gratuity scheme for its permanent employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under this scheme is determined through actuarial valuation carried under Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2021. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of the benefit, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in Note 8.1.4 to these financial statements.

Remeasurements changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

2.3 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.4 Taxation

Current

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any. 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 year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Property, plant, equipment

a) Operating fixed assets

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost / revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use. Cost of property, plant and equipment signifies historical cost, revalued amount, borrowing cost pertaining to erection / construction period as referred in Note 2.9 and directly attributable cost of bringing the assets to working condition.

Increases in the carrying amounts arising on revaluation of freehold land are recognized in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the statement of profit or loss during the period they are incurred.

b) Depreciation

Depreciation on property, plant and equipment is charged to the statement of profit or loss applying the reducing balance method at the rates given in Note 14.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

c) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.6 Leases**Right-of-use assets**

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.7 Ijarah Contracts

Under the Ijarah contracts, the Company obtains usufruct of an asset for an agreed period and consideration. The Company accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Company as a Mustajir (lesser) in the Ijarah contract recognizes the Ujarah (lease) payments as an expense in the statement of profit or loss on straight line lease over the Ijarah term.

2.8 Inventories

Inventories, except for stock in transit and waste stock / rags, are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores, spare parts and loose tools are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw materials, work-in-process and finished goods is determined as follows:

- | | | |
|---|---|---|
| (i) For raw materials | - | Annual average basis. |
| (ii) For work-in-process and finished goods | - | Average manufacturing cost including a portion of production overheads. |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

2.9 Borrowing cost

Interest, mark-up and other charges on long term financing are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term financing. All other interests, mark-up and other charges are recognized in statement of profit or loss.

2.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.11 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 such indication exists, the asset's recoverable amount, being higher of value in use and fair value less cost to sell, is estimated. An impairment loss is recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment loss is charged to the statement of profit or loss. Reversal of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment loss had not been recognized. Reversal of impairment loss is also recognized in the statement of profit or loss.

2.12 Revenue from contracts with customers

i) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Related Government grant is recognized when there is reasonable assurance that Company will comply with the conditions attached to it and grant will be received.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend

Dividend on investments is recognized when right to receive the dividend is established.

Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

iv) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

2.13 Share capital

Ordinary and preference shares are classified as equity.

2.14 Financial instruments

i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

II) Classification and measurement of financial instruments

Investments and other financial assets

a) Classification

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

- those to be measured subsequently at the fair value through profit or loss; 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.

For assets measured at fair value, gain and losses are recognized in statement of profit or loss.

For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value, in the case of a financial asset at its fair value plus transaction plus, in the case of a financial asset not at fair value through profit or loss, transaction cost that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

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 de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

Equity instruments

The Company subsequently measures all equity instruments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price.

At fair value through profit or loss

Changes in the fair value of equity instruments at fair value through profit or loss are recognized in other income / (other expenses).

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Financial liabilities

Classification and measurement

Financial liabilities are classified at amortized cost. These are also subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

III) Impairment of financial assets

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

bank balances and debt securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganization.

iv) De-recognition

Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired.

v) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal 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.

2.15 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.16 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.17 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.19 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the board of directors.

2.20 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its segments separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable operating segments: i) Spinning (Producing different qualities of yarn), ii) Knitting (Producing knitted fabric from yarn), iii) Processing and Garments (Processing of greige fabric for production of dyed and white fabric and manufacturing of variety of garments from processed fabric).

Transactions among the operating segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.21 Earnings per share

The Company presents basic and diluted Earnings per Share (EPS). Basic EPS is calculated by dividing profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit attributable to shareholders and the weighted average number of ordinary shares outstanding with the effects of all dilutive potential ordinary shares.

2.22 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.23 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.24 Government grants

The benefit of lower interest rate than market rate on borrowings obtained under State Bank of Pakistan (SBP) refinance scheme for payment of salaries and wages to the employees and workers of the Company, is accounted for as government grant which is the difference between loan received and the fair value of the loan. The differential amount is recognized and presented as deferred government grant.

In subsequent periods, the grant shall be amortized over the period of loan and amortization shall be recognized in the profit or loss.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2021 (NUMBER OF SHARES)	2020		2021 (RUPEES IN THOUSAND)	2020
67 500 000	67 500 000	Ordinary shares of Rupees 10 each fully paid in cash	675,000	675,000
31 166 668	31 166 668	Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1)	311,668	311,668
<u>98 666 668</u>	<u>98 666 668</u>		<u>986,668</u>	<u>986,668</u>

- 3.1 The Company issued cumulative preference shares as at 30 June 2005, which are listed on Pakistan Stock Exchange Limited, to finance the working capital requirements and fixed capital expenditure.

Terms of redemption**a) Conversion option**

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.

b) Call option

The Company has the option to redeem the preference shares after four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

c) Rate of dividend

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

d) Sinking fund reserve

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

- 3.2 17 396 833 ordinary shares (2020: 17 396 833) of the Company are held by Shanghai Challenge Textile Company Limited - an associate.

2021 2020
(RUPEES IN THOUSAND)

4. CAPITAL RESERVES

Share premium (Note 4.1)	1,375,000	1,375,000
Capital redemption reserve fund (Note 4.2)	128,333	128,333
Capital contribution (Note 4.3)	1,500,000	-
Surplus on revaluation of freehold land (Note 4.4)	2,447,552	2,447,552
	5,450,885	3,950,885

- 4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

- 4.2 The Company has created this reserve from its profits to make payments against any call option of preference shares.

4.3 Capital contribution

These represent unsecured interest free loans from director / shareholders of the Company as required by the banks in their sanction advices. These are repayable on Company's discretion. These loans are treated as capital contribution in accordance with the guidelines provided by The Institute of Chartered Accountants of Pakistan (ICAP) vide Technical Release-32.

	2021 (RUPEES IN THOUSAND)	2020
4.4 Surplus on revaluation of freehold land		
Opening balance	2,447,552	900,234
Add: Surplus on revaluation of freehold land	-	1,547,318
	<u>2,447,552</u>	<u>2,447,552</u>
5. REVENUE RESERVES		
General	714,500	714,500
Unappropriated profit	3,753,230	3,158,114
	<u>4,467,730</u>	<u>3,872,614</u>
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	4,712,033	4,844,061
Sukuk / Diminishing musharika (Note 6.2)	2,841,579	2,911,458
	<u>7,553,612</u>	<u>7,755,519</u>
Less: Current portion shown under current liabilities (Note 12)	2,546,001	500,993
	<u>5,007,611</u>	<u>7,254,526</u>

6.1 Long term loans

LOANOR	2021	2020	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPAYING	INTEREST AMOUNT	SECURITY
(RUPEES IN THOUSANDS)							
Beta Village Limited	-	137,051	8 Month KESOR+1.50%	The facility was completely repaid on 22 October 2020	Quarterly	Quarterly	First exclusive charge on fixed assets of the Company and personal guarantee of Chief Executive Officer of the Company
National Bank of Pakistan	-	111,021	3 Month KESOR+0%	The facility was completely repaid on 12 July 2020	Quarterly	Quarterly	Specific charge on machinery
National Bank of Pakistan	1,500,000	1,700,000	3 Month KESOR+0.50%	Twenty quarterly installments starting from 22 September 2018 and ending on 22 June 2024	Quarterly	Quarterly	First joint and several charge over fixed assets of the Company and personal guarantee of Chief Executive Officer of the Company
National Bank of Pakistan	264,040	260,180	3 Month KESOR+0.17%	Twenty quarterly installments starting from 12 March 2019 and ending on 18 December 2024	Quarterly	Quarterly	First joint and several charge over fixed assets of the Company
Standard Chartered Bank (Pakistan) Limited	-	400,000	8 Month KESOR+1.25%	The facility was completely repaid on 28 October 2020	Quarterly	Semi Annually	Joint and several charge over fixed assets of the Company
Standard Chartered Bank (Pakistan) Limited (Note 6.1.1)	299,000	-	2.00%	Eight quarterly installments starting from 01 January 2021 and ending on 01 October 2022	Quarterly	Quarterly	Joint and several charge on fixed assets and personal guarantee of Chief Executive Officer of the Company
Habib Bank Limited (Note 6.1.1)	348,411	-	1.00%	Eight quarterly installments starting from 01 January 2021 and ending on 01 October 2022	Quarterly	Quarterly	Joint and several charge over fixed assets of the Company and personal guarantee of some of the directors of the Company
Bank of China Limited	-	83,792	8 Month KESOR+1.00%	The facility was completely repaid on 01 April 2021	Quarterly	Quarterly	First joint charge on fixed assets and personal guarantee of Chief Executive Officer of the Company
United Bank Limited	277,276	262,414	4.50%	These are different loans repayable in sixteen quarterly installments starting from 22 February 2017 and ending on 06 January 2025	-	Quarterly	First charge on specific machinery
The Bank of Punjab	217,464	241,285	4.50%	These are different loans repayable in sixteen to twenty quarterly installments starting from 12 July 2017 and ending on 06 March 2026	-	Quarterly	First charge on specific machinery
Arif Bank Limited	190,077	200,079	4.50%	These are different loans repayable in sixteen to eighteen quarterly installments starting from 01 October 2017 and ending on 21 March 2025	-	Quarterly	First charge on specific machinery and personal guarantee of some directors of the Company
National Bank of Pakistan	1,075,108	848,014	4.50%	These are different loans repayable in sixteen to twenty quarterly installments starting from 28 March 2013 and ending on 26 August 2025	-	Quarterly	First charge on specific machinery
Habib Microfinance Bank Limited	271,080	260,077	4.50%	These are different loans repayable in sixteen to twenty quarterly installments starting from 12 May 2020 and ending on 27 April 2026	-	Quarterly	First charge on specific machinery
Beta Village Limited	138,000	82,917	6.00%	These are different loans repayable in twenty quarterly installments starting from 04 December 2019 and ending on 10 November 2025	-	Quarterly	First exclusive charge on fixed assets of the Company and personal guarantee of Chief Executive Officer of the Company
Pakistan Kameel Investment Company (Private) Limited	138,000	138,000	6.00%	These are different loans repayable in sixteen quarterly installments starting from 01 August 2021 and ending on 25 May 2025	-	Quarterly	First charge on specific machinery
		<u>6,770,000</u>				<u>6,770,000</u>	
These term finance facilities aggregating to Rupees 805,000 million are obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers and employees of business concerns out of which 225,000 million are repaid during the year. These loans are recognized and measured in accordance with FRS 5 Financial Instruments. Fair value adjustment is recognized at discount rate of 0.25% per annum.							
6.1.1 Short / Overlapping Facilities:							
Chs Industries	98,076	111,428	Bank Rate+2.50%	These are different loans repayable in sixteen and twenty four monthly installments starting from 30 May 2019 and ending on 26 June 2022	Quarterly	Monthly	First charge on specific machinery and personal guarantee of some directors
Muzam Bank Limited	268,300	300,000	3 Month KESOR+1%	Twenty quarterly installments starting from 25 June 2021 and ending on 25 March 2026	Quarterly	Quarterly	First applicable charge over specific property
Sharda Capital Bank (Note 6.1.1)	2,500,000	2,500,000	3 Month KESOR+0.25%	Fourteen quarterly installments starting from 17 September 2021 and ending on 17 December 2026	Quarterly	Quarterly	First joint and several charge over all present and future fixed assets of the Company and specific mortgage over the mortgaged properties
		<u>3,866,376</u>				<u>3,866,376</u>	

These represent non-redeemable capital in terms of 2,500 Sharda Capital Bank Certificates issued to various institutions and other investors by way of private placement in accordance with the provisions of section 68 of the Companies Act, 2017. These are treated as repayable convertible debt and for meeting working capital requirement of the Company. Pakistan Kameel Investment Company (Private) Limited was the lead financial adviser and arranger while Arif Bank (Private) Limited is acting as Sharda's structuring adviser for the debt.

7. LEASE LIABILITIES

	2021 (RUPEES IN THOUSAND)	2020
Total lease liabilities (Note 7.1.1 and Note 7.1.2)	226,065	340,576
Less: Current portion shown under current liabilities (Note 12)	(131,288)	(129,864)
	<u>94,777</u>	<u>210,712</u>
7.1 Reconciliation of lease liabilities		
Opening balance	340,576	-
Add:		
Adjustment on adoption of IFRS 16 on 01 July 2019	-	242,821
Additions during the year	210,522	238,560
Interest accrued on lease liabilities (Note 31)	18,846	24,998
	<u>569,744</u>	<u>506,179</u>
Less:		
Termination of lease during the year	150,876	-
Payments during the year	192,803	165,603
	<u>343,879</u>	<u>165,603</u>
Closing balance	226,065	340,576
Less: Current portion shown under current liabilities (Note 12)	(131,288)	(129,864)
Non-current portion	<u>94,777</u>	<u>210,712</u>

7.1.1 The value of minimum lease payments of lease amounting to Rupees 20.669 million (2020: Rupees 22.286 million) has been discounted using implicit interest rate of 8.74% to 14.99% (2020: 12.25% to 15.85%) per annum. Balance rentals are payable in monthly installments. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 6.778 million (2020: Rupees 6.778 million) included in long term security deposits.

7.1.2 The value of minimum lease payments of lease amounting to Rupees 205.396 million (2020: Rupees 318.290 million) has been discounted using incremental borrowing rate of 8.30% and 9.78% (2020: 8.30%) per annum. Balance rentals are payable in monthly installments. Repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, three months notice is to be given. Lease agreement is renewable at the mutual consent of both parties on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 17.033 million (2020: Rupees 19.978 million) included in long term security deposits.

7.2 Minimum lease payments and their present values are regrouped as under:

2021		2020	
Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
(RUPEES IN THOUSAND)			
Lease payments	143,442	100,066	151,140
Less: Finance cost	(12,154)	(5,289)	(21,276)
Present value of lease payments	<u>131,288</u>	<u>94,777</u>	<u>129,864</u>

8. DEFERRED LIABILITIES

	2021 (RUPEES IN THOUSAND)	2020
Staff retirement gratuity (Note 8.1)	1,078,919	964,354
Deferred income - government grant (Note 8.2)	6,401	-
Gas Infrastructure Development Cess (GIDC) (Note 8.3)	2,806	-
	<u>1,087,926</u>	<u>964,354</u>

	2021	2020
	(RUPEES IN THOUSAND)	
8.1 STAFF RETIREMENT GRATUITY		
Opening balance	964,354	770,256
Add:		
Provision for the year (Note 8.1.1)	338,243	312,384
Remeasurements recognized in other comprehensive income (Note 8.1.2)	(2,263)	(20,623)
Closing balance	1,300,334	1,062,017
Less:		
Payments made during the year	(219,742)	(77,377)
Increase in current liability - net	(1,673)	(20,286)
	(221,415)	(97,663)
	1,078,919	964,354
8.1.1 Provision for the year		
Current service cost	265,683	209,581
Interest cost	72,560	102,803
	338,243	312,384
8.1.2 Remeasurements recognized in other comprehensive income		
Actuarial (gain) / loss from changes in financial assumptions	(3,231)	10,991
Experience adjustments	968	(31,614)
	(2,263)	(20,623)
8.1.3 Reconciliation of present value of defined benefit obligation as at 30 June is given below:		
Present value of defined benefit obligation as at 01 July	964,354	770,256
Current service cost	265,683	209,581
Interest cost	72,560	102,803
Benefits paid during the year	(219,742)	(77,377)
Increase in current liability - net	(1,673)	(20,286)
Remeasurements:		
Actuarial (gain) / loss from changes in financial assumptions	(3,231)	10,991
Experience adjustment	968	(31,614)
	(2,263)	(20,623)
Present value of defined benefit obligation as at 30 June	1,078,919	964,354
8.1.4 Principal actuarial assumptions used	2021	2020
Discount rate for interest cost in profit or loss charge (per annum)	8.50%	14.25%
Discount rate for year end obligation (per annum)	10.00%	8.50%
Expected rate of increase in salary (per annum)	9.00%	7.50%
Average duration of the benefit (years)	8	8
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based
Retirement assumption	Age 60	Age 60

8.1.5 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation as at reporting date to changes in the weighted principal assumption is:

	2021	2020
Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(77,667)	(70,395)
Decrease in assumption (Rupees in thousand)	89,844	81,684
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	86,838	78,903
Decrease in assumption (Rupees in thousand)	(76,203)	(69,035)

8.1.6 Expected maturity profile

Followings are the expected distribution and timing of benefit payments at year end:

Description	2021 (RUPEES IN THOUSAND)	2020
2021	-	163,963
2022	181,981	161,977
2023	205,181	153,379
2024 to 2028	933,025	686,638
2029 and onwards	12,559,551	7,523,408

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit plan to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year except for certain changes as given in Note 8.1.4

8.1.7 The estimated expenses to be charged to profit and loss account for the year ending on 30 June 2022 is Rupees 407.812 million.

8.1.8 Risks associated with the scheme**Final salary risk (linked to inflation risk)**

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Demographic risks

- **Mortality risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Withdrawal risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

8.2 Deferred Income - Government grant

	2021 (RUPEES IN THOUSAND)	2020
Recognized during the year	89,947	-
Amortized during the year (Note 30)	(46,258)	-
	43,689	-
Less: Current portion shown under current liabilities (Note 12)	37,288	-
	<u>8,401</u>	<u>-</u>

- 8.2.1** The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 has introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns (the Refinance Scheme). The Refinance Scheme is funded by SBP. Borrowers can obtain loans from the Banks and ease their cash flow constraints to avoid layoffs. One of the key feature of the Refinance Scheme is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance' the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained this loan as disclosed in Note 6.1.1 to the financial statements. In accordance with IFRS 9 'Financial Instruments', loan obtained under the Refinance Scheme was initially recognized at its fair value which is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

2021 2020
(RUPEES IN THOUSAND)

8.3 Gas Infrastructure Development Cess (GIDC) payable

Balance at the beginning of the year	31,616	31,616
Less: Gain on remeasurement of GIDC (Note 30)	(2,740)	-
Add: Unwinding of discount on GIDC payable (Note 31)	1,758	-
	<u>30,634</u>	<u>31,616</u>
Less: Payments made during the year	9,313	-
	<u>21,321</u>	<u>31,616</u>
Less: Current portion shown under current liabilities (Note 12)	18,715	31,616
	<u>2,606</u>	<u>-</u>

- 8.3.1** This represents Gas Infrastructure Development Cess (GIDC) which was levied through GIDC Act, 2015. During the year, Supreme Court of Pakistan vide judgement dated 13 August 2020 has upheld the GIDC Act, 2015 to be constitutional and intra vires. Now the Company is to pay the balance amount of GIDC in 24 equal monthly installments. This liability has been recognized at fair value using discount rate of 9.23% per annum and the difference between the fair value and the total amount of liability is recognized in statement of profit or loss as other income. Subsequent to initial recognition, the effect of unwinding of liability is recognized in statement of profit or loss as finance cost.

9. TRADE AND OTHER PAYABLES

Creditors	3,204,387	1,067,363
Contract liabilities - unsecured	130,948	88,670
Accrued liabilities	1,476,574	1,173,968
Income tax deducted at source	19,393	22,231
Sales tax deducted at source	105,851	77,062
Workers' welfare fund (Note 29)	21,189	-
	<u>4,958,142</u>	<u>2,430,344</u>

10. ACCRUED MARK-UP

Long term financing	76,599	225,235
Short term borrowings	83,565	169,549
	<u>160,164</u>	<u>394,784</u>

11. SHORT TERM BORROWINGS - SECURED

These represent the finances obtained from banking companies which are secured by way of first joint pari passu charge over current assets of the Company, pledge and personal guarantee of directors. Mark-up is paid at the rate of 2.50% per annum to 13.95% per annum (2020: 2.75% per annum to 16.42% per annum). The sanctioned credit facilities are Rupees 17,075 million (2020: Rupees 17,905 million).

2021 2020
(RUPEES IN THOUSAND)

12. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term financing (Note 6)	2,546,001	500,993
Lease liabilities (Note 7)	131,268	129,864
Deferred Income - Government grant (Note 8.2)	37,288	-
Deferred Liability of GIDC (Note 8.3)	18,715	31,616
	<u>2,733,292</u>	<u>662,473</u>

13. CONTINGENCIES AND COMMITMENTS**a) Contingencies**

- i) Guarantees of Rupees 244.995 million (2020: Rupees 259.995 million) are given by the banks of the Company to Sul Northern Gas Pipeline Limited (SNGPL) against gas connections and Total Parco Pakistan Limited against fuel cards.
- ii) On 13 August 2020, the Supreme Court of Pakistan upheld the Gas Infrastructure Development Cess (GIDC) Act, 2015 to be constitutional and intra vires. In connection with this decision, the Company filed a writ petition in Lahore High Court, Lahore on 14 September 2020 against the charge of GIDC at the rate of captive power consumer instead of industrial consumer. Lahore High Court, Lahore suspended the payment of Rupees 23.625 million (2020: Rupees 20.200 million) related to this difference, subject to furnishing of post dated cheques which are being submitted by the Company. Keeping in view the opinion of the legal counsel of the Company, the related provision is not made in these financial statements as there are strong grounds of favourable outcome of the petition.

b) Commitments

- i) Contracts for capital expenditure are amounting to Rupees 27.482 million (2020: Rupees 167.148 million) and other than capital expenditure are of Rupees 2,020.522 million (2020: Rupees 628.862 million).

ii) Ijarah commitments - Company as lessee

The Company obtained vehicles under Ijarah agreement. The lease terms are three to five years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under Ijarah are as follows:

Not later than one year	44,784	38,327
Later than one year and not later than five years	71,937	84,578
	<u>116,721</u>	<u>122,905</u>

14. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 14.1)	13,231,142	13,161,273
Capital work-in-progress (Note 14.2)	358,263	450,758
	<u>13,589,405</u>	<u>13,612,031</u>

14.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Plant and machinery	Electric and gas installations	Factory equipment	Telephone installations	Furniture and fixtures	Office equipment	Computer equipment	Vehicles	Total
RUPEES IN THOUSANDS											
At 30 June 2019											
Cost / reviewed amount	1,462,233	2,379,167	10,358,962	645,408	125,705	24,237	316,237	11,547	364,869	263,441	16,138,964
Accumulated depreciation	-	(514,366)	(4,563,663)	(317,184)	(58,319)	(18,394)	(158,461)	(5,297)	(238,808)	(168,617)	(5,544,359)
Net book value	1,462,233	1,764,801	5,795,299	328,224	67,386	5,843	157,776	6,250	126,061	94,824	10,594,605
Year ended 30 June 2020											
Opening net book value	1,462,233	1,764,801	5,795,299	328,224	67,386	5,843	157,776	6,250	126,061	94,824	10,594,605
Effect of surplus on revaluation	1,547,319	-	-	-	-	-	-	-	-	-	1,547,319
Additions	586,128	52,862	1,573,665	165,500	10,263	1,860	44,862	1,402	50,910	26,658	2,544,629
Transfer:											
Cost	-	-	35,819	-	-	-	-	-	-	19,881	55,861
Accumulated depreciation	-	-	(8,485)	-	-	-	-	-	-	(12,753)	(21,238)
Disposal:											
Cost	-	-	(832,313)	(19,869)	(3,398)	(45)	(21,408)	(19)	(11,067)	(17,841)	(905,591)
Accumulated depreciation	-	-	315,574	4,348	1,130	4	10,513	12	6,485	8,778	347,844
Depreciation charge	-	-	(516,739)	(15,521)	(2,268)	(41)	(10,895)	(7)	(4,582)	(8,063)	(587,347)
Closing net book value	3,605,679	1,737,760	6,772,678	611,231	59,244	6,712	194,589	5,796	142,126	102,257	13,181,273
At 30 June 2020											
Cost / reviewed amount	3,605,679	2,442,089	11,136,654	944,308	132,690	26,062	339,821	13,030	404,722	262,138	16,379,022
Accumulated depreciation	-	(704,309)	(4,409,676)	(329,076)	(73,436)	(19,370)	(178,252)	(7,294)	(262,666)	(191,862)	(5,217,726)
Net book value	3,605,679	1,737,780	6,727,078	615,232	59,254	6,712	194,569	5,736	142,056	102,276	13,161,296
Year ended 30 June 2021											
Opening net book value	3,605,679	1,737,780	6,727,078	615,232	59,254	6,712	194,569	5,736	142,056	102,276	13,161,296
Additions	-	63,553	810,860	81,362	7,222	1,199	42,270	1,694	23,550	23,381	1,035,441
Disposal:											
Cost	-	-	-	-	-	-	-	-	-	(23,468)	(23,468)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	9,865	9,865
Depreciation charge	-	(87,301)	(713,635)	(64,806)	(8,325)	(1,067)	(28,165)	(962)	(30,283)	(18,966)	(952,599)
Closing net book value	3,605,679	1,693,532	6,825,124	627,777	60,141	6,944	178,654	6,468	135,323	91,130	13,221,142
At 30 June 2021											
Cost / reviewed amount	3,605,679	2,496,042	11,947,334	1,067,968	139,902	27,281	362,661	14,594	438,272	262,022	20,390,879
Accumulated depreciation	-	(792,110)	(5,122,210)	(438,981)	(79,761)	(20,437)	(200,437)	(8,228)	(262,679)	(200,892)	(7,169,853)
Net book value	3,605,679	1,693,532	6,825,124	627,777	60,141	6,944	178,654	6,468	135,323	91,130	13,221,142
Annual rate of depreciation (%)	-	5	10	10	10	15	15	15	20	20	

14.1.1 Values of freehold land of the Company has been determined by an independent valuer on 30 June 2020 using market value method. Previously, it was reviewed by an independent valuer as at 30 June 2016, 28 June 2013, 30 June 2007 and 30 September 1995. Had there been no revaluation, the value of freehold land would have been lower by Rupees 2,447,552 million (2020: Rupees 2,447,552 million). The book value of freehold land on cost basis is Rupees 1,158,127 million (2020: Rupees 1,158,127 million).

14.1.2 Depreciation charge for the year has been allocated as follows:

	2,021	2,020
	(RUPEES IN THOUSAND)	
Cost of sales (Note 26)	872,567	820,207
Distribution cost (Note 27)	980	835
Administrative expenses (Note 28)	78,512	78,923
	<u>952,059</u>	<u>899,965</u>

14.1.3 Particulars of immovable properties (i.e. land and buildings) in the name of the Company are as follows:

Particulars	Location	Area	Covered Area
		Acres	Sq. ft.
Apparel Unit	Sergodha Road,	2.56	175 936 *
Spinning, Knitting and Dyeing Units	32- KM, Sheikhupura Road, Faisalabad	117.87	1 743 554
Freehold Land	194-R.B., Lathianwala, Sheikhupura Road,	37.23	- **
Freehold Land	193-R.B., Sherianwala, Sheikhupura Road,	9.57	- **
Spinning Unit	Setyena Road, Faisalabad	1.50	35 114
Office	New Civil Lines, Bilal Road, Faisalabad	0.225	52 484 *
Office	Regency Plaza, Mall Road, Faisalabad	-	3 854 ***

* Covered area at these locations consists of multi-storey buildings.

** No construction on this land.

*** Covered area at this location consists of building only, because of multi-storey plaza.

14.1.4 Forced sales value of freehold land given by the independent valuer as per last revaluation on 30 June 2020 was Rupees 3,064,826 million.

14.1.5 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
RUPEES IN THOUSAND							
Vehicles							
Toyota - Corolla GII Car ANG-170	2,406	698	1,708	2,405	696	Company Policy	Ms. Sarwat Taskeen, Jhang Road, Faisalabad
Toyota - Corolla Altis Car FD-15-610	879	142	737	765	28	Company Policy	Mr. Tariq Saeed, House No F-29, Sheikhupura Road, Paradise Valley, Faisalabad
Toyota - Corolla Altis Car AGF-646	1,382	50	1,312	1,300	(12)	Negotiation	Ms. Shahida Parveen, House No. 15, Street No. 170, Saddique Street, New Samanabad, Lahore
Toyota - Corolla Car FD-17-636	1,088	98	990	1,534	544	Negotiation	Mr. Ifthikhar Ahmed, Chak No 38 GB, Ahri Abad, Faisalabad
Toyota - Corolla Car FD-15-780	879	173	706	917	211	Company Policy	Khawaja Arslan, House No. 1, Green Street, Street No. 44, Popular Nursery, Gujranwala
Honda - Civic Car FDA-14-277	946	283	663	750	87	Company Policy	Mr. Ahmed, House No. 55, Street No. 3, Sharif Pura, Narwala Road, Faisalabad

14.2 Capital work-in-progress

	Buildings on freehold land	Plant and machinery	Advances against purchase of land	Advances against purchase of machinery	Total
RUPEES IN THOUSAND					
As at 01 July 2019	24,082	131,302	85,888	389,223	610,295
Add: Additions during the year	1,062	117,033	-	324,081	442,176
Less: Transferred to operating fixed assets during the year	(5,267)	(168,543)	(65,888)	(362,195)	(601,713)
As at 30 June 2020	19,857	79,792	-	351,109	450,758
Add: Additions during the year	17,396	49,605	-	233,819	300,820
Less: Transferred to operating fixed assets during the year	(1,062)	(68,456)	-	(323,797)	(393,315)
As at 30 June 2021	36,191	60,941	-	261,131	358,263

- 14.3** Borrowing cost of Rupees 0.605 million (2020: Rupees 7.146 million) was capitalized during the year using with the capitalization rate of 9.18 % to 9.21 % per annum (2020: 5.00% to 15.60% per annum).

15. RIGHT-OF-USE ASSETS

	Buildings	Vehicles	Machinery	Total
RUPEES IN THOUSAND				
As at 01 July 2019	210,887	31,135	28,492	270,314
Additions	238,560	-	-	238,560
Disposals	-	(7,128)	(27,314)	(34,442)
Depreciation charge	(147,627)	(5,122)	(1,178)	(153,927)
As at 30 June 2020	301,820	18,885	-	320,505
Additions	210,522	-	-	210,522
Disposals	(140,488)	-	-	(140,488)
Depreciation charge	(182,924)	(3,506)	-	(186,430)
As at 30 June 2021	188,730	15,379	-	204,109

Lease of buildings

The Company obtained buildings on lease for its office and business operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease periods are maximum of five years.

Lease of vehicles

The Company obtained vehicles on lease for employees. The average contract duration is five years.

There is no impairment against right-of-use assets.

15.1 Depreciation charge for the year has been allocated as follows:

	2021 (RUPEES IN THOUSAND)	2020
Cost of sales (Note 26)	180,226	148,805
Distribution cost (Note 27)	1,308	1,080
Administrative expenses (Note 28)	4,896	4,042
	<u>186,430</u>	<u>153,927</u>

16. LONG TERM ADVANCES**Considered good - secured**

Executives (Note 18.1)	11,425	10,840
Other employees	136	240
	<u>11,561</u>	<u>11,080</u>
Less: Current portion shown under current assets (Note 20)	4,092	3,020
	<u>7,469</u>	<u>8,060</u>

- 16.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 12.077 million (2020: Rupees 11.215 million).
- 16.2 These include the interest free advances given to Company's executives and other employees recoverable in equal monthly installments and secured against the gratuity payable of these employees.
- 16.3 The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of advances to employees is not considered material and hence not recognized.

	2021 (RUPEES IN THOUSAND)	2020
17. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores (Note 17.1)	1,509,135	1,555,585
Spare parts	729,078	886,307
Loose tools	6,318	5,781
	<u>2,244,531</u>	<u>2,447,674</u>

- 17.1 These include stores in transit of Rupees 106.070 million (2020: Rupees 372.885 million).

18. STOCK IN TRADE

Raw materials (Note 18.1 and Note 18.2)	4,549,503	2,896,619
Work-in-process (Note 18.3)	2,277,664	1,596,125
Finished goods (Note 18.4)	4,456,334	3,632,222
	<u>11,283,501</u>	<u>8,125,166</u>

- 18.1 These include stock in transit of Rupees 258.086 million (2020: Rupees 185.515 million).
- 18.2 These include stock of Rupees 720.342 million (2020: Rupees 171.345 million) sent to third parties for conversion.
- 18.3 These include stock of Rupees 179.312 million (2020: Rupees 91.345 million) sent to third parties for processing.
- 18.4 These include stock of Rupees 333.686 million (2020: Rupees 172.505 million) sent to third parties for processing.
- 18.5 Stock in trade includes stocks amounting to Rupees 832.644 million (2020: Rupees 133.176 million) valued at net realizable value.
- 18.6 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 253.850 million (2020: Rupees 266.169 million).

19. TRADE DEBTS

Considered good:

Secured (against letters of credit)	80,354	420,630
Unsecured:		
Related party (Note 19.2)	340,358	676,781
Others - against contract	7,685,164	7,329,582
	<u>8,025,522</u>	<u>8,206,353</u>
	<u>8,105,876</u>	<u>8,626,983</u>
Less: Allowance for expected credit losses (Note 19.4)	670,596	863,132
	<u>7,435,280</u>	<u>7,763,851</u>

19.1 Foreign jurisdiction of trade debts

Trade debts in respect of foreign and local jurisdictions is given below:

America and Canada	5,054,278	4,315,900
Europe	873,594	1,002,897
Asia, Africa and Australia	244,864	278,663
Pakistan	1,262,744	2,166,391
	<u>7,435,280</u>	<u>7,763,851</u>

- 19.2 Trade debts due from the related party were from Challenge Apparels Limited.
- 19.3 The maximum aggregate amount due from the related party, Challenge Apparels Limited at the end of any month during the year was Rupees 851.228 million (2020: Rupees 1,037.318 million).

	2021 (RUPEES IN THOUSAND)	2020
19.4 Allowance for expected credit losses		
Opening balance	863,132	64,706
Add: Charged during the year	4,484	798,428
	<u>867,616</u>	<u>863,132</u>
Less: Recovered during the year	197,020	-
Closing balance	<u>670,596</u>	<u>863,132</u>
20. LOANS AND ADVANCES		
Considered good - Interest free		
Against salary		
- Executives	3,988	2,388
- Other employees	56,912	37,161
Against expenses		
- Other employees	20,418	206,618
	<u>81,316</u>	<u>246,165</u>
Current portion of long term advances (Note 16)	4,092	3,020
Advances to suppliers	549,054	288,701
	<u>634,462</u>	<u>537,886</u>
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Letters of credit	11,573	3,397
Prepayments	56,435	5,364
Margin deposits	133,428	111,418
Security deposits including current portion	24,618	19,548
	<u>226,054</u>	<u>139,727</u>
22. OTHER RECEIVABLES		
Considered good:		
Sales tax refundable	1,561,167	1,238,295
Export rebate	199,406	246,168
Duty drawback claims	1,357,605	311,593
Others	24,639	38,130
	<u>3,163,017</u>	<u>1,834,186</u>
23. SHORT TERM INVESTMENTS		
At amortized cost		
Habib Bank Limited (Note 23.1)	100,000	100,000
At fair value through profit or loss		
Al Mezzan Investment Management Limited	6,771	103,218
	<u>106,771</u>	<u>203,218</u>
23.1	These represent investment in Term Finance Certificates (TFCs) issued by Habib Bank Limited at the profit rate of 3 Month KIBOR+1.60% (2020: 3 Month KIBOR+1.60%) per annum.	

		2021	2020
		(RUPEES IN THOUSAND)	
24.	CASH AND BANK BALANCES		
	With banks:		
	On current accounts including US\$ 1,044 (2020: US\$ 1,044)	99,224	43,113
	On saving accounts including US\$ 60,478 (2020: US\$ 60,435) (Note 24.1)	429,864	527,272
	Term deposit receipt (Note 24.2)	-	600,000
		<u>529,088</u>	<u>1,170,385</u>
	Cash in hand	1,843	2,629
		<u>530,931</u>	<u>1,173,014</u>
24.1	Rate of profit on saving accounts ranges from 2.75% to 11.25% (2020: 3.25% to 12.50%) per annum.		
24.2	These represented term deposit receipt placed with a banking company having maturity of one month at profit rate of 6.50% per annum.		
25.	REVENUE	2021	2020
		(RUPEES IN THOUSAND)	
	Revenue from contracts with customers:		
	Local sales	2,618,460	4,449,279
	Export sales	32,785,259	22,945,798
	Waste sales	759,483	441,801
	Knitting / dyeing income	1,654,970	1,543,176
		<u>37,818,152</u>	<u>29,379,854</u>
	Less: Sales tax	726,793	711,212
		<u>37,091,359</u>	<u>28,668,642</u>
25.1	The amount of Rupees 72,429 million included in contract liabilities (Note 9) at 30 June 2020 has been recognized as revenue in 2021 (2020: Rupees 15,886 million).		
26.	COST OF SALES		
	Raw materials consumed	15,084,333	10,148,862
	Salaries, wages and other benefits	5,735,626	5,306,744
	Staff retirement benefit	246,737	237,911
	Fuel and power	2,365,809	2,074,858
	Dyes and chemicals consumed	2,661,035	2,179,169
	Stores, spare parts and loose tools consumed	1,071,090	835,471
	Packing materials and other charges	2,084,376	2,274,325
	Outside knitting, dyeing and CMT charges	1,317,692	972,117
	Repair and maintenance	570,667	667,977
	Insurance	126,293	125,255
	Other factory overheads (Note 26.1)	871,429	1,233,027
	Depreciation (Note 14.1.2)	872,567	820,207
	Depreciation - right-of-use assets (Note 15.1)	180,226	148,805
		<u>33,286,100</u>	<u>27,042,729</u>
	Work-in-process:		
	Opening stock	1,596,125	2,225,565
	Closing stock	(2,277,664)	(1,596,125)
		<u>(681,539)</u>	<u>629,440</u>
	Cost of goods manufactured	<u>32,604,561</u>	<u>27,672,169</u>
	Finished goods:		
	Opening stock	3,632,222	3,262,943
	Closing stock	(4,456,334)	(3,632,222)
		<u>(824,112)</u>	<u>(369,279)</u>
		<u>31,780,449</u>	<u>27,302,890</u>

26.1 These include ljarah rentals amounting to Rupees 27.693 million (2020: Rupees 28.781 million) of vehicles.

	2021	2020
	(RUPEES IN THOUSAND)	
27. DISTRIBUTION COST		
Salaries and other benefits	447,018	158,873
Staff retirement benefit	30,649	21,968
Commission to selling agents	758,592	883,883
Insurance	10,020	9,060
Travelling and conveyance	42,324	54,828
Vehicles' running	10,935	9,569
Printing and stationery	1,511	335
Communication	31,269	28,888
Outward freight and distribution	928,274	980,099
Depreciation (Note 14.1.2)	980	835
Depreciation - right-of-use assets (Note 15.1)	1,308	1,080
	2,262,880	2,149,418
28. ADMINISTRATIVE EXPENSES		
Salaries and other benefits	632,777	414,908
Staff retirement benefit	80,857	62,505
Rent, rates and taxes (Note 28.1)	39,143	33,155
Travelling and conveyance	15,743	22,644
Entertainment	7,582	10,699
Repair and maintenance	8,788	6,350
Vehicles' running	26,136	22,582
Printing and stationery	8,730	9,274
Communication	17,195	16,625
Legal and professional	1,952	2,162
Newspapers and periodicals	40	73
Electricity and sul gas	17,189	15,811
Auditor's remuneration (Note 28.2)	4,915	4,080
Subscription and fee	5,538	4,531
Advertisement	1,543	2,584
Insurance	13,612	13,568
Miscellaneous	8,268	1,828
Depreciation (Note 14.1.2)	78,512	78,923
Depreciation - right-of-use assets (Note 15.1)	4,896	4,042
	854,398	716,404

28.1 These include ljarah rentals amounting to Rupees 8.993 million (2020: Rupees 12.627 million) of vehicles.

	2021	2020
	(RUPEES IN THOUSAND)	
28.2 Auditor's remuneration		
Annual audit fee	3,800	3,300
Half yearly review fee	550	500
Other certifications	450	175
Reimbursable expenses	115	85
	4,915	4,080
29. OTHER EXPENSES		
Allowance for expected credit losses (Note 19.4)	4,484	796,426
Interest income on sales tax refund bonds written off	-	476
GIDC of previous years	-	21,901
Sales tax receivable against packing material reversed	-	151,862
Net exchange loss	287,395	-
Worker's welfare fund (Note 9)	21,189	-
	313,068	972,665

		2021	2020
		(RUPEES IN THOUSAND)	
30. OTHER INCOME			
Income from financial assets			
Profit on deposits with banks and TFCs		98,544	132,135
Dividend income		4,180	3,218
Reversal of allowance for expected credit losses (Note 19.4)		197,020	-
Net exchange gain		-	192,815
		<u>297,744</u>	<u>328,168</u>
Income from non-financial assets			
Sale of stores and scrap		24,402	8,859
Gain on sale of property, plant and equipment		13,955	37,821
Amortization of deferred income - Government grant (Note 8.2)		46,258	-
Gain on remeasurement of GIDC (Note 8.3)		2,740	-
Gain on termination of lease liability		10,388	-
Others		47,948	47,523
		<u>145,689</u>	<u>92,203</u>
		<u>443,433</u>	<u>420,371</u>
31. FINANCE COST			
Mark-up / Interest on:			
Long term financing		614,580	758,123
Short term borrowings		502,499	732,533
Lease liabilities (Note 7.1)		18,648	24,998
Interest on workers' profit participation fund		-	6,575
Unwinding of discount on GIDC payable (Note 8.3)		1,758	-
Bank charges and commission		144,329	177,067
		<u>1,281,812</u>	<u>1,699,296</u>
32. TAXATION			
Current (Note 32.1)		390,384	374,855
Prior year adjustments		7,268	(8,226)
		<u>397,652</u>	<u>366,629</u>
32.1	The Company falls in the ambit of final tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision for tax on other income is made at prevailing tax rates. No provision for deferred taxation is required due to final tax on exports. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax on export.		
33. EARNINGS / (LOSS) PER SHARE		2021	2020
Basic earnings / (loss) per share			
Profit / (loss) attributable to ordinary shareholders	(Rupees in thousand)	640,535	(4,120,279)
Dividend on preference shares	(Rupees in thousand)	(28,968)	(47,662)
		<u>611,567</u>	<u>(4,167,941)</u>
Weighted average number of ordinary shares	(Numbers)	<u>67 500 000</u>	<u>67 500 000</u>
Earnings / (loss) per share - Basic	(Rupees)	<u>9.06</u>	<u>(61.75)</u>
Diluted earnings / (loss) per share			

		2021	2020
Profit / (loss) attributable to ordinary shareholders	(Rupees in thousand)	640,535	(4,120,279)
Dividend on preference shares	(Rupees in thousand)	(28,968)	(47,692)
		<u>611,567</u>	<u>(4,167,961)</u>
Weighted average number of ordinary shares	(Numbers)	<u>74 203 230</u>	<u>73 248 929</u>
Earnings / (loss) per share - Diluted	(Rupees)	<u>8.24</u>	<u>(56.90)</u>
		2021	2020
		(RUPEES IN THOUSAND)	
34. CASH GENERATED FROM OPERATIONS			
Profit / (loss) before taxation		1,038,187	(3,751,650)
Adjustments for non-cash charges and other items:			
Depreciation		1,138,489	1,053,892
Provision for gratuity		338,243	312,384
Allowance for expected credit losses		4,484	798,426
Reversal of allowance for expected credit losses		(197,020)	-
Gain on sale of property, plant and equipment		(13,955)	(37,821)
Amortization of deferred income - Government grant		(48,258)	-
Gain on remeasurement of GIDC		(2,740)	-
Interest income on sales tax refund bonds written off		-	478
Gain on termination of lease liability		(10,388)	-
Finance cost		1,281,812	1,699,286
Working capital changes (Note 34.1)		(1,827,249)	1,526,215
		<u>1,903,605</u>	<u>1,601,208</u>
34.1 Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		3,143	(487,500)
Stock in trade		(3,158,335)	(378,914)
Trade debts		521,107	2,148,032
Loans and advances		(96,576)	(175,742)
Short term deposits and prepayments		(86,327)	37,102
Other receivables		(1,328,831)	1,812,745
		<u>(4,145,819)</u>	<u>2,973,723</u>
Increase / (decrease) in trade and other payables		2,518,570	(1,447,508)
		<u>(1,627,249)</u>	<u>1,526,215</u>

34.2 Reconciliation of movements of liabilities to cash flows from financing activities:

	2021					2020			
	Long term financing	Short term borrowings	Lease liabilities	Capital contribution	Total	Long term financing	Short term borrowings	Lease liabilities	Total
(RUPEES IN THOUSAND)									
Balance as at 01 July	7,755,519	15,835,860	340,578	-	23,931,957	5,958,439	14,280,368	-	20,238,805
Transferred to lease liabilities on adoption of IFRS 16 'Leases'	-	-	-	-	-	-	-	242,621	242,621
Lease liabilities obtained	-	-	210,522	-	210,522	-	-	238,580	238,580
Termination of lease liability	-	-	(190,878)	-	(190,878)	-	-	-	-
Proceeds from long term financing	1,003,674	-	-	-	1,003,674	3,067,377	-	-	3,067,377
Contribution from director / shareholders	-	-	-	1,500,000	1,500,000	-	-	-	-
Short term borrowings obtained - net	-	(824,860)	-	-	(824,860)	-	1,555,494	-	1,555,494
Repayment of long term financing	(1,161,882)	-	-	-	(1,161,882)	(1,278,267)	-	-	(1,278,267)
Amortization charged using the effective interest method	(43,688)	-	-	-	(43,688)	-	-	-	-
Repayment of lease liabilities	-	-	(174,157)	-	(174,157)	-	-	(140,805)	(140,805)
Balance as at 30 June	7,553,612	15,011,000	228,065	1,500,000	24,290,677	7,755,519	15,835,860	340,578	23,931,955

35. EVENT AFTER THE REPORTING PERIOD

- 35.1 Board of Directors of the Company has proposed preference dividend for the preference shareholders of the Company amounting to Rupees 0.93 (2020: Rupees 1.53) per share declared at its meeting held on 06 October 2021. However, this event has been considered as non-adjusting event under IAS-10 'Events after the Reporting Period' and has not been recognized in these financial statements.

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements for remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

DESCRIPTION	2021		2020	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
(RUPEES IN THOUSAND)				
Managerial remuneration	8,000	158,448	8,000	137,872
Allowances				
House rent	3,200	63,378	3,200	55,149
Other allowances	800	15,845	800	13,787
Payment of staff retirement gratuity	-	1,623	-	-
	12,000	239,292	12,000	206,808
Number of persons	1	79	1	63

- 36.1 The Chief Executive Officer and some of the executives are provided free use of Company maintained vehicles.
- 36.2 Meeting fee amounting to Rupees 0.120 million (2020: Rupees 0.180 million) has been paid to three non-executive directors (2020: three non-executive directors).
- 36.3 Apart from meeting fee as stated in Note 36.2, no remuneration was paid to any director of the Company.

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associate, associated company, other related parties and key management personnel. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2021	2020
	(RUPEES IN THOUSAND)	
Associate		
Shanghai Challenge Textile Company Limited		
Dividend paid	44,362	-
Associated company		
Challenge Apparels Limited		
Sale of goods and services	68,324	842,939
Purchase of goods and services	-	122,010
Purchase of operating fixed assets	28,880	-
Other related parties		
Dividend paid	-	32,959
Capital contribution from director / spouse	200,000	-

37.1 Detail of compensation to key management personnel comprising of Chief Executive Officer, Directors and Executives is disclosed in Note 36.

37.2 Shanghai Challenge Textile Company Limited (SCTCL) is the associate due to 25.77% shareholding in the Company. SCTCL is incorporated in China.

37.3 Challenge Apparels Limited is the associated company by way of common directorship.

38. NUMBER OF EMPLOYEES	2021	2020
Number of employees as at 30 June	18 800	13 027
Average number of employees during the year	18 489	15 574

	2021	2020
39. PLANT CAPACITY AND ACTUAL PRODUCTION	(FIGURES IN THOUSAND)	

SPINNING

Production at normal capacity converted to 20s count based on three shifts per day	(Kgs.)	5 742	5 757
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Actual production converted to 20s count based on three shifts per day	(Kgs.)	5 133	5 019
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KNITTING

Production at normal capacity based on three shifts per day	(Kgs.)	42 880	43 167
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Actual production based on three shifts per day	(Kgs.)	22 774	17 563
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DYEING / FINISHING

Production at normal capacity on reactive dyeing basis at three shifts per day	(Kgs.)	50 041	49 775
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Actual production converted on reactive dyeing basis at three shifts per day	(Kgs.)	28 439	19 549
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GARMENTS

Production at normal capacity of normal / average garments capacity based on single shift per day	(Dzn.)	5 174	5 229
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Actual production of normal / average garments capacity based on single shift per day	(Dzn.)	2 987	3 012
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39.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance and after effects of COVID-19 pandemic lockdown. Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity.

40. SEGMENT INFORMATION

	Spinning		Knitting		Processing & Garments		Elimination of inter-segment transactions		Total-Company	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
(RUPEES IN THOUSAND)										
Revenue										
External	1,881,188	1,683,822	282,581	212,097	35,125,630	36,782,923	-	-	37,389,399	38,668,842
Intersegment	3,538,315	1,837,287	15,195,390	8,541,521	28,334	18,577	(18,758,038)	(11,195,395)	-	-
	5,217,483	3,520,919	15,477,951	9,553,918	35,151,864	36,779,500	(18,758,038)	(11,195,395)	37,389,399	38,668,842
Cost of sales	(5,251,017)	(3,435,807)	(15,158,808)	(9,558,882)	(35,582,665)	(35,519,514)	18,758,038	11,195,395	(21,792,448)	(27,302,860)
Gross profit / (loss)	186,466	108,912	321,145	(5,344)	4,769,208	1,259,986	-	-	5,396,951	1,365,752
Distribution cost	(84,086)	(44,247)	(148,388)	(91,576)	(2,088,429)	(2,807,595)	-	-	(2,261,088)	(2,149,418)
Administrative expenses	(51,317)	(41,892)	(135,658)	(88,387)	(687,421)	(575,357)	-	-	(864,266)	(716,614)
	(115,382)	(86,127)	(284,044)	(180,942)	(2,717,850)	(2,882,952)	-	-	(3,117,270)	(2,865,822)
Profit / (loss) before taxation and unallocated income and expenses	51,084	24,885	87,101	(221,887)	2,051,448	(1,223,066)	-	-	2,189,681	(1,500,070)
Unallocated income and expenses:										
Other expenses									(913,088)	(872,885)
Other income									442,433	420,371
Finance cost									(1,281,812)	(1,898,288)
Taxation									(267,652)	(268,620)
Profit / (loss) after taxation									648,536	(1,320,270)

40.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Knitting		Processing & Garments		Total-Company	
	2021	2020	2021	2020	2021	2020	2021	2020
(RUPEES IN THOUSAND)								
Segment assets	3,538,512	2,712,488	3,278,100	2,488,141	30,585,954	19,094,761	27,321,546	24,305,370
Unallocated assets							13,085,869	12,891,739
Total assets as per statement of financial position							40,407,415	37,197,109
Segment liabilities	318,272	184,799	1,470,268	489,717	4,437,180	3,201,944	6,223,715	3,888,980
Unallocated liabilities							25,278,406	24,302,584
Total liabilities as per statement of financial position							29,502,124	28,189,544

40.2 Geographical information

The Company's revenue from external customers by geographical location is detailed below:

	Spinning		Knitting		Processing & Garments		Total-Company	
	2021	2020	2021	2020	2021	2020	2021	2020
(RUPEES IN THOUSAND)								
America and Canada	-	-	-	-	22,836,613	18,822,088	22,836,613	18,822,088
Europe	-	-	-	-	5,625,411	3,382,118	5,625,411	3,382,118
Asia, Africa and Australia	283,383	73,894	-	-	3,868,851	1,457,701	4,233,234	1,531,594
Pakistan	1,417,795	1,618,729	282,581	212,097	2,803,755	3,891,019	4,304,101	6,722,845
	1,681,188	1,693,822	282,581	212,097	35,125,630	36,782,923	37,389,399	38,668,842

40.3 The Company's revenue from external customers in respect of product is detailed below:

	Spinning		Knitting		Processing & Garments		Total-Company	
	2021	2020	2021	2020	2021	2020	2021	2020
Yarn	1,638,128	1,653,880	147,301	143,887	-	-	1,785,429	1,794,647
Knitting / dyeing income	-	-	134,882	87,918	1,279,845	1,251,035	1,414,585	1,318,953
Finished fabric / garments	-	-	-	-	30,286,805	25,195,348	30,286,805	25,195,348
Waste	42,040	42,842	-	312	579,280	318,540	621,320	269,494
	1,681,188	1,693,822	282,581	212,097	35,125,630	36,782,923	37,389,399	38,668,842

40.4 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

40.5 Revenue is recognized at the point of time as per terms and conditions of underlying contract with customers.

40.8 Revenue from major customers

Revenue from major customers of the Company's Processing and Garments segment includes two customers (2020: two) representing Rupees 14,398 million (2020: Rupees 12,413 million). Revenue from other segments of the Company does not include any major customer.

41. FINANCIAL RISK MANAGEMENT**41.1 Financial risk factors**

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro and Great Britain Pound (GBP). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2021	2020
Cash at banks - USD	81,522	81,479
Trade debts - USD	42,888,032	38,023,019
Trade debts - Euro	262,268	342,189
Trade debts - GBP	21,048	-
Trade and other payables - USD	(1,540,164)	(503,879)
Trade and other payables - Euro	(2,558)	(18,388)
Net exposure - USD	41,187,390	37,580,619
Net exposure - Euro	259,712	325,803
Net exposure - GBP	21,048	-

Following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	180.18	158.17
Reporting date rate	157.80	168.25

Rupees per Euro

Average rate	191.09	175.02
Reporting date rate	188.12	188.11

Rupees per GBP

Average rate	215.52	-
Reporting date rate	218.58	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit / (loss) after taxation for the year would have been Rupees 318.489 million higher / lower (2020: Rupees 318.147 million lower / higher), Rupees 2.394 million higher / lower (2020: Rupees 3.081 million lower / higher) and Rupees 0.225 million higher / lower (2020: Nil) respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other 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 instrument traded in the market. As at 30 June 2021, the Company is not exposed to commodity price risk.

(III) Interest rate risk

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

The Company's interest rate risk arises from long term financing, lease liabilities, short term borrowings, term finance certificates and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments fixed rate expose the Company to fair value interest rate risk.

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

	2021	2020
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial assets		
Term deposit receipt	-	800,000
Financial liabilities		
Long term financing	2,977,393	2,113,479
Lease liabilities	205,398	318,290
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	429,864	527,272
Term finance certificates	100,000	100,000
Financial liabilities		
Long term financing	4,576,219	5,642,040
Lease liabilities	20,669	22,285
Short term borrowings	15,011,000	15,835,880

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit / (loss) after taxation for the year would have been Rupees 186.984 million lower / higher (2020: Rupees 208.729 million higher / lower), mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming that amounts of liabilities outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limit to its customers. The management monitors and limits Company's exposure to credit through monitoring of client's exposure review and conservative estimates of allowance of expected credit loss. The Company is exposed to credit risk on trade debts, bank balances, deposits, investments, loans, advances and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Investments	106,771	203,218
Trade debts	7,435,280	7,763,851
Loans and advances	72,459	50,827
Deposits	235,565	212,459
Other receivables	24,639	38,130
Bank balances	529,088	1,170,385
	<u>8,403,802</u>	<u>9,438,870</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The external credit rating of Company's bankers is given below:

	Rating			2021	2020
	Short term	Long term	Agency	(RUPEES IN THOUSAND)	
Banks					
National Bank of Pakistan	A-1+	AAA	VIS	42,857	33,699
Allied Bank Limited	A1+	AAA	PACRA	472	22,993
Askari Bank Limited	A1+	AA+	PACRA	21,972	22,946
Bank Alfalah Limited	A1+	AA+	PACRA	7,681	3,630
First Women Bank Limited	A2	A-	PACRA	28,472	845,447
Habib Bank Limited	A-1+	AAA	VIS	68,242	117,224
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	26,813
Bank Al-Habib Limited	A1+	AAA	PACRA	3,585	5,800
MCB Bank Limited	A1+	AAA	PACRA	14,895	10,576
The Bank of Punjab	A1+	AA+	PACRA	80,062	16,398
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	10,804	4,254
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	81,920	618
United Bank Limited	A-1+	AAA	VIS	54,654	4,273
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	12,835	1,345
Summit Bank Limited *	N/A	N/A	VIS	-	508
Sonari Bank Limited	A1+	AA-	PACRA	22,997	8,130
Samba Bank Limited	A-1	AA	VIS	55,790	2,042
Industrial and Commercial Bank of China	P-1	A1	Moody's	14,104	7,288
Meezan Bank Limited	A-1+	AAA	VIS	8,320	3,201
The Bank of Khyber	A-1	A+	VIS	1,709	180,837
Khushhali Micro Finance Bank Limited	A-1	A+	VIS	12	52,363
FINCA Microfinance Bank limited	A-1	A	VIS	25	-
				629,088	1,170,385

* VIS has suspended the credit ratings of the Bank due to non-availability of updated financial information, as no financial statements have been made available by the Bank after the period ended 31 March 2018.

The Company applies the IFRS 9 simplified approach to measure expected credit loss allowance for its trade debts. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

As at 30 June 2021, trade debts of Rupees 948,961 million (2020: Rupees 1,567,760 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is

	2021	2020
	(RUPEES IN THOUSAND)	
Related party		
Upto 1 month	-	8,107
1 to 6 months	68,714	255,931
More than 6 months	273,844	567,419
	<u>340,358</u>	<u>832,457</u>
Others		
Upto 1 month	373,685	549,089
1 to 6 months	174,330	128,625
More than 6 months	60,588	57,589
	<u>608,603</u>	<u>735,303</u>
	<u>948,961</u>	<u>1,567,760</u>

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

(c) **Liquidity risk**

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2021, the Company had Rupees 2,064 million (2020: Rupees 2,070 million) available borrowing limits from financial institutions and Rupees 530,931 million (2020: Rupees 1,173,014 million) cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Following are the contractual maturities of financial liabilities as at 30 June 2021:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	7,553,812	8,563,559	1,555,816	1,490,908	2,589,862	2,946,973
Lease liabilities	226,065	242,990	92,983	50,254	70,687	29,066
Unclaimed dividend	11,146	11,146	11,146	-	-	-
Unpaid dividend	47,682	47,682	47,682	-	-	-
Short term borrowings	15,011,000	15,094,447	13,555,947	1,538,500	-	-
Trade and other payables	4,680,961	4,680,961	4,634,539	46,422	-	-
Accrued mark-up	160,164	160,164	160,164	-	-	-
	27,690,830	28,800,949	20,058,277	3,126,084	2,640,549	2,976,039

Following are the contractual maturities of financial liabilities as at 30 June 2020:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	More than 2 years
(RUPEES IN THOUSAND)						
Non-derivative financial liabilities:						
Long term financing	7,755,519	9,930,856	431,896	823,918	3,061,335	5,613,507
Lease liabilities	340,578	389,810	91,577	60,663	101,607	135,963
Unclaimed dividend	65,262	65,262	65,262	-	-	-
Short term borrowings	15,835,860	16,000,344	14,595,344	1,405,000	-	-
Trade and other payables	2,241,361	2,241,361	2,191,192	50,169	-	-
Accrued mark-up	394,784	394,784	394,784	-	-	-
	26,633,362	29,022,217	17,770,055	2,339,750	3,162,942	5,749,470

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark-up have been disclosed in Note 6, Note 7 and Note 11 of these financial statements.

(d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares, in accordance with the terms of facility letter of term finance facility issue by Habib Bank Limited (the Bank) under SBP Refinance Scheme for payment of wages and salaries as given in Note 6.1.1. Company shall take prior approval of the Bank before declaring any dividend.

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

41.2 Financial instruments by categories

2021			2020		
At fair value through profit or loss	At amortized cost	Total	At fair value through profit or loss	At amortized cost	Total
RUPEES IN THOUSAND					

As at 30 June

Financial assets as per statement of financial position

Investments	8,771	100,000	106,771	103,218	100,000	203,218
Trade debts	-	7,435,280	7,435,280	-	7,783,851	7,783,851
Loans and advances	-	72,459	72,459	-	50,627	50,627
Deposits and prepayments	-	235,565	235,565	-	215,787	215,787
Other receivables	-	24,839	24,839	-	38,130	38,130
Cash and bank balances	-	530,931	530,931	-	1,173,014	1,173,014
	8,771	8,398,874	8,406,845	103,218	9,341,409	9,444,627

	At amortized cost	
	2021	2020
	(RUPEES IN THOUSAND)	
Financial liabilities as per statement of financial position		
Long term financing	7,553,612	7,755,519
Lease liabilities	226,065	340,576
Unclaimed dividend	11,148	65,262
Unpaid dividend	47,682	-
Short term borrowings	15,011,000	15,835,860
Trade and other payables	4,680,961	2,241,361
Accrued mark-up	160,164	394,784
	27,690,630	26,633,362

Reconciliation to the line items presented in the statement of financial position is as follows:

2021			2020			
Financial assets	Other than financial assets	Total as per statement of financial position	Financial assets	Other than financial assets	Total as per statement of financial position	
RUPEES IN THOUSAND						
Assets as per statement of financial position						
Investments	106,771	-	106,771	203,218	-	203,218
Trade debts	7,435,280	-	7,435,280	7,763,851	-	7,763,851
Loans and advances	72,459	569,472	641,931	50,627	487,259	537,886
Deposits and prepayments	235,565	88,370	323,935	215,787	22,715	238,502
Other receivables	24,639	3,138,378	3,163,017	38,130	1,796,056	1,834,186
Cash and bank balances	530,931	-	530,931	1,173,014	-	1,173,014
	8,406,645	3,796,220	12,201,865	9,444,827	2,306,030	11,750,857

2021			2020			
Financial liabilities	Other than financial liabilities	Total as per statement of financial position	Financial liabilities	Other than financial liabilities	Total as per statement of financial position	
RUPEES IN THOUSAND						
Liabilities as per statement of financial position						
Long term financing	7,553,612	-	7,553,612	7,755,519	-	7,755,519
Lease liabilities	226,065	-	226,065	340,576	-	340,576
Unclaimed dividend	11,148	-	11,148	65,262	-	65,262
Unpaid dividend	47,682	-	47,682	-	-	-
Short term borrowings	15,011,000	-	15,011,000	15,835,860	-	15,835,860
Trade and other payables	4,680,961	277,181	4,958,142	2,241,361	188,983	2,430,344
Accrued mark-up	160,164	-	160,164	394,784	-	394,784
	27,690,630	277,181	27,967,811	26,633,362	188,983	26,822,345

41.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

42. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**(I) Fair value hierarchy**

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into following three levels. An explanation of each level follows underneath the table:

	Level 1	Level 2	Level 3	Total
	(RUPEES IN THOUSAND)			
Financial assets - recurring fair value measurement				
At fair value through profit or loss	8,771	-	-	8,771
At 30 June 2021	<u>8,771</u>	<u>-</u>	<u>-</u>	<u>8,771</u>
At 30 June 2020	<u>103,218</u>	<u>-</u>	<u>-</u>	<u>103,218</u>

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to the short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(II) Valuation technique used to determine fair value

Specific valuation technique used to value financial instruments includes the use of market prices.

43. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS**(I) Fair value hierarchy**

The judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

	Level 1	Level 2	Level 3	Total
	RUPEES IN THOUSAND			
At 30 June 2021				
Freehold land	-	3,805,679	-	3,805,679
At 30 June 2020				
Freehold land	-	3,805,679	-	3,805,679

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfer between level 1 and 2 for recurring fair value measurement during the year. Further, there was no transfer in and out of level 3.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent the valuation for its freehold land (classified as property, plant and equipment) after every three years. The management updates the assessment of the fair value of freehold land, taking into account the most recent independent valuation. The management determines freehold land's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar lands.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land.

Changes in fair values are analyzed during the valuation discussion between the Chief Financial Officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 06 October 2021 by the Board of Directors of the Company.

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison. However, no significant re-arrangements have been made except the following:

PARTICULARS	RECLASSIFICATION		AMOUNT (RUPEES IN THOUSAND)
	FROM	TO	
Deferred liability for gratuity	Deferred liability for gratuity	Deferred liabilities	964,354
GIDC payable	Trade and other payables (Current liabilities)	GIDC payable (Non-current liabilities)	31,618
Income tax	Short term deposits and prepayments	Face of statement of financial position	933,016

46. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

FORM 34
THE COMPANIES ACT, 2017
THE COMPANIES (GENERAL PROVISIONS AND FORMS) REGULATIONS, 2018
[Section 227 (2)(f)]
PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2021

PART - 1

'0012223

1. Incorporation Number

1.1 Name of the Company **MASOOD TEXTILE MILLS LIMITED**

PART - 11

2.1 Pattern of holding of the shares held by the shareholders as at **30.06.2021**

2.2 No. of shareholders	Shareholdings	Total shares held
580	Shareholding from 1 to 100 Shares	39,981
481	Shareholding from 101 to 500 Shares	112,513
88	Shareholding from 501 to 1000 Shares	88,327
120	Shareholding from 1001 to 5000 Shares	299,654
21	Shareholding from 5001 to 10000 Shares	143,472
5	Shareholding from 10001 to 15000 Shares	60,749
4	Shareholding from 15001 to 20000 Shares	71,300
4	Shareholding from 20001 to 25000 Shares	94,587
1	Shareholding from 25001 to 30000 Shares	26,000
2	Shareholding from 30001 to 35000 Shares	67,500
1	Shareholding from 35001 to 40000 Shares	40,000
1	Shareholding from 40001 to 45000 Shares	42,187
5	Shareholding from 45001 to 50000 Shares	243,601
1	Shareholding from 50001 to 55000 Shares	52,000
1	Shareholding from 55001 to 60000 Shares	55,350
1	Shareholding from 60001 to 65000 Shares	86,637
1	Shareholding from 65001 to 70000 Shares	92,605
2	Shareholding from 70001 to 75000 Shares	200,000
1	Shareholding from 75001 to 80000 Shares	104,982
1	Shareholding from 80001 to 85000 Shares	121,374
1	Shareholding from 85001 to 90000 Shares	267,000
1	Shareholding from 90001 to 95000 Shares	392,750
1	Shareholding from 95001 to 100000 Shares	419,625
1	Shareholding from 100001 to 105000 Shares	639,000
1	Shareholding from 105001 to 110000 Shares	692,050
1	Shareholding from 110001 to 115000 Shares	785,100
1	Shareholding from 115001 to 120000 Shares	791,000
1	Shareholding from 120001 to 125000 Shares	1,556,718
1	Shareholding from 125001 to 130000 Shares	1,673,987
1	Shareholding from 130001 to 135000 Shares	1,726,400
1	Shareholding from 135001 to 140000 Shares	2,214,169
1	Shareholding from 140001 to 145000 Shares	4,387,500
1	Shareholding from 145001 to 150000 Shares	4,536,019
1	Shareholding from 150001 to 155000 Shares	7,636,550
1	Shareholding from 155001 to 160000 Shares	17,396,633
1	Shareholding from 160001 to 165000 Shares	20,362,500
1337	Total	67,500,000

PREFERENCE SHARES:

1	Shareholding from 245001 to 250000 Shares	250,000
1	Shareholding from 2495001 to 2500000 Shares	2,500,000
1	Shareholding from 3665001 to 3670000 Shares	3,666,668
1	Shareholding from 4435001 to 4440000 Shares	4,440,000
3	Shareholding from 4995001 to 5000000 Shares	15,000,000
1	Shareholding from 5305001 to 5310000 Shares	5,310,000
8	Total	31,166,668

2.3 Categories of shareholders	shares held	Percentage
--------------------------------	-------------	------------

ORDINARY SHARES:

2.3.1 Directors, Chief Executive Officer, and their spouse and minor children.

21,972,405 32.55

2.3.2 Associated Companies, undertakings and related parties.

17,396,833 25.77

2.3.3 NIT and ICP

2,218,289 3.29

2.3.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.

4,536,588 6.72

2.3.5 Insurance Companies

400,444 0.59

2.3.6 Moderabas and Mutual Funds

4,100 0.01

2.3.7 Share holders holding 10%

45,395,883 67.25

2.3.8 General Public

a. Local

6,066,355 8.99

b. Foreign

- -

2.3.9 Others - Joint Stock Companies / Co-operative Societies.

7,268,456 10.77

3- PREFERENCE SHARES:

3.1 Banks.

20,606,668 66.12

3.2 Investment Companies.

10,560,000 33.88

Signature of Chief Executive/ Secretary

Name of Signatory

NISAR AHMAD ALVI

Designation

COMPANY SECRETARY

CNIC Number

3 3 1 0 4 - 2 8 9 3 4 6 0 - 9

Date

Day Month Year
0 6 1 0 2 0 2 1

MASOOD TEXTILE MILLS LIMITED
NAMEWISE CATEGORIES OF SHAREHOLDERS SUMMARY AS AT: 30-06-2021

Categories of shareholders	Shares Held	Total Shares	Percentage
<u>ORDINARY SHARES:</u>			
<u>2.3.1 Directors:</u>			
MR. SHAHID NAZIR AHMAD	Chief Executive Officer	1,556,718	
MR. NASEER AHMAD SHAH	Chairman	42,187	
MR. SHABIR AHMAD ABID	Director	6,000	
MR. SHAHID IQBAL	Director	5,000	
MR. SHOAIB AHMAD KHAN	Director	-	
(NIT Nominee)			
MR. SHIBIN YANG	Director	-	
(Shanghai Challenge - Nominee)			
MS. CHEN YAN	Director	-	
(Shanghai Challenge - Nominee)			
SPOUSE:		20,362,500	21,972,405
			32.55
<u>2.3.2 Associated Undertakings:</u>			
SHANGHAI CHALLENGE TEXTILE CO., LIMITED		-	17,396,833
			25.77
<u>2.3.3 NIT And ICP:</u>			
INVESTMENT CORPORATION OF PAKISTAN		850	
IDBL (ICP UNIT)		3,250	
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST		2,214,169	2,218,269
			3.29
<u>2.3.4 Financial Institutions:</u>			
<u>Banks:</u>			
NATIONAL BANK OF PAKISTAN		-	4,536,588
			6.72
<u>2.3.5 Insurance Companies:</u>			
AGRO GENERAL INSURANCE COMPANY LIMITED		7,594	
DELTA INSURANCE COMPANY LTD.		100	
STATE LIFE INSURANCE CORPORATION OF PAKISTAN		392,750	400,444
			0.59
<u>2.3.6 Modarabas And Mutual Fund:</u>			
THIRD PRUDENTIAL MODARABA		2,900	
UNICAP MODARABA		200	
CDC - TRUSTEE AKD OPPORTUNITY FUND		1,000	4,100
			0.01
<u>2.3.7 Shareholders Holding 10% or More:</u>			
MRS. NAZIA NAZIR		20,362,500	
ZHEJIANG XINAO INDUSTRY COMPANY LIMITED		7,636,550	
SHANGHAI CHALLENGE TEXTILE CO., LIMITED		17,396,833	45,395,883
			67.25

Categories of shareholders	Shares Held	Total Shares	Percentage
----------------------------	-------------	--------------	------------

2.3.8 General Public: 6,066,355 8.99

2.3.9 Joint Stock Companies And Others:

FORTRESS TEXTILES (PVT) LIMITED	2,616,462		
H M INVESTMENTS (PVT) LIMITED	4,900		
KOHISTAN CORPORATION (PVT) LTD.	4,387,500		
MAPLE LEAF CAPITAL LIMITED	1		
MRA SECURITIES LIMITED - MF	26,000		
NH SECURITIES (PVT) LIMITED.	5		
NCC - PRE SETTLEMENT DELIVERY ACCOUNT	2,500		
PASHA SECURITIES (PVT) LTD.	100		
PRUDENTIAL CAP.MANAGEMENT LTD.	1,600		
PAKISTAN KUWAIT INVST.(PVT) LTD	2,600		
SHAFI SECURITIES (PVT) LIMITED	2,000		
SAVARI (Pvt) LIMITED	900		
SOFTWARE CREATIONS (PVT) LIMITED	121,374		
TRUSTEE NBP EMP Benevolent Fund Trust	3,249		
TRUSTEE NBP Employees Pension Fund	92,605		
Y.H. SECURITIES (PVT.) LTD.	6,500		
Y.S. SECURITIES & SERVICES (PVT) LTD.	160	7,268,456	10.77

3. PREFERENCE SHARES:

3.1 Banks:

ASKARI BANK LIMITED	-	2,500,000	
HABIB BANK LIMITED	-	4,440,000	
MCB BANK LIMITED	-	5,000,000	
NATIONAL BANK OF PAKISTAN	-	5,000,000	
UNITED BANK LIMITED	-	3,666,668	
		20,606,668	66.12

3.2 Investment Companies:

FORTRESS TEXTILES (PVT) LIMITED	-	5,000,000	
KOHISTAN CORPORATION (PVT) LTD.	-	250,000	
SUNDAR IMPEX (PVT) LIMITED	-	5,310,000	
		10,560,000	33.88

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FORM OF PROXY

No. of Ordinary Shares Held. _____ Folio No. _____ CDC A/c No. _____

I/We, _____

of _____

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint _____

_____ (NAME)

of _____

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 37th Annual General Meeting of the Company to be held at its Registered Office at Universal House, 17/1, New Civil Lines, Bilal Road, Faisalabad, on Thursday, the 28th day of October, 2021 at 11.00 A.M. or any adjournment thereof.

As witnessed my hands this _____ day of _____ 2021

Signed by me in the presence of witness: _____

(Signature of witness)

CNIC. _____

(Member's Signature)

CNIC. _____

*Five Rupees
Revenue
Stamp*

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

پراکسی فارم

حصص کی تعداد _____ فولیو نمبر _____ سی ڈی سی کھاتہ نمبر _____

میں / ہم کسی / مسماۃ _____ ساکن _____

شخصیت ممبر مسعود ٹیکسٹائل ملز لمیٹڈ، کسی / مسماۃ _____ ساکن _____

کمپنی ممبر کو بطور (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری / ہماری جگہ اور میری / ہماری طرف سے کمپنی کا 37 واں سالانہ اجلاس عام منعقدہ بروز جمعرات بتاریخ 28 اکتوبر 2021 بوقت صبح 10:00 بجے بشمول التوا سالانہ اجلاس عام بابت مسعود ٹیکسٹائل ملز لمیٹڈ یونیورسل ہاؤس 11، نیوسول لائن بلال روڈ فیصل آباد میں ووٹ ڈال سکے۔

دستخط بتاریخ _____ دن _____ 2021۔

مجھ کی گواہ کسی / مسماۃ _____
نام _____
ولدیت زوجیت _____
ساکن / سکند _____

دستخط گواہ _____
کیڈز آنر فوری شناختی کارڈ نمبر _____

دستخط _____
گواہ کی موجودگی میں دستخط شدہ
(دستخط کمپنی میں موجود رجسٹرڈ کے مطابق ہونے چاہیں)

پانچ روپے کی ریونج شپ
چھپا کر دیں

اہم نوٹ:

پراکسی فارم رجسٹرڈ آفس مسعود ٹیکسٹائل ملز لمیٹڈ یونیورسل ہاؤس 11، نیوسول لائن بلال روڈ، فیصل آباد میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے پہلے جمع کرنا لازمی ہے۔
بشمول رسید کی نکت، دستخط شدہ ممبر اور گواہ شدہ۔ بصورت دیگر وہ قابل قبول نہ ہوگا۔