MAHMOOD GROUP

MAHMOOD TEXTILE MILLS LIMITED

# INTEGRATED ANNUAL REPORT 2020-2021

# CONTENTS

# VISION

To continue to be recognized globally as a dynamic business group specialized in multiple modern diversified businesses with its credibility of value creation for all stakeholders and the society through its strategically align innovation and sustainability framework.

# CORE VALUES

- Integrity & Respect
- Innovation
- Empowerment
- Excellence
- Responsibility

# CORPORATE INFORMATION

## Board of Directors:

| | |
|---|---|
| Khawaja Muhammad Ilyas | Chairman |
| Khawaja Muhammad Iqbal | Chief Executive Officer |
| Khawaja Muhammad Younus | Director |
| Mrs. Farah Ilyas | Director |
| Khawaja Muhammad Muzaffar Iqbal | Director |
| Khawaja Muhammad Anees | Director |
| Abdul Rehman Qureshi | Independent Director |
| Muhammad Asghar | Independent Director |

## Chief Financial Officer

Muhammad Amin Pal
FCA

## Company Secretary

Yasir Ghaffar
ACA

## Auditors

ShineWing Hameed Chaudhri & Co
Chartered Accountants
2526/F Shadman Colony, Opposite High Court,
Bahawalpur Road, Multan.

## Stock Exchange Listing

Mahmood Textile Mills Limited is a listed Company and its shares are traded on Pakistan Stock Exchange in Pakistan.

## Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
H M House, 7-Bank Square, Lahore.

## Bankers

MCB Bank Limited
United Bank Limited
Habib Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Bank Alfalah Limited
Bank Islami Limited
Habib Metropolitan Bank Limited
The Bank of Punjab
Askari Bank Limited
Soneri Bank Limited

## Mills

Mahmoodabad, Multan Road,
Muzaffargarh.
Masoodabad, D.G. Khan Road,
Muzaffargarh.
Chowk Sarwar Shaheed, District
Muzaffargarh.
Industrail Estate, Multan.

## Registered Office

Mehr Manzil, Lohari Gate, Multan.
Tel.: 061-111-181-181 Fax: 061-4511262
E-mail: info@mahmoodgroup.com
www.mahmoodtextile.com

## Regional Office

2nd Floor, Cotton Exchange Building, I.I.
Chundrigarh Road, Karachi.

# Honours and Achievements

# Notice of Annual General Meeting

Notice is hereby given that 51ST Annual General Meeting of the Company will be held on Saturday, 27th November, 2021 at 11.00 A.M., at its registered office, Mehr Manzil, Lohari Gate, Multan 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 Financial Statements of the company for the year ended 30th June, 2021 together with Directors and Auditors' Reports thereon.

3- To approve payment of Cash Dividend @ 100 (Rs.10/- per ordinary share of Rs.10/- each) for the year 30th June, 2021, as recommended by the Board of Directors.

4- To appoint auditors for the year 2021-22 and to fix their remuneration. The presentAuditors M/s . Shinewing Hameed Chaudhri & Company, Chartered Accountants, Lahore being eligible have offered themselves for re-appointment.

5- To transact any other business as may be placed before the meeting with the permission of the Chair.

By order of The Board of Directors

Sd/-
YASIR GHAFFAR
Company Secretary

Multan.
Date: 6th November, 2021.

**NOTE:**

i) The share transfer books of the Company will remain closed from 15th Novemberto 27th November, 2021 (Both days inclusive).

ii) A member entitled to attend and vote at the meeting may appoint another member of the Company as a proxy to attend and vote instead of him/her. Proxy Form duly completed and signed by the appointer must be lodged with the company at its registered office at least forty-eight (48) hours before the time of holding of the AGM.

iii) Any individual beneficial owner of CDC entitled to attend and vote at this meeting must bring his/her original CNIC or Passport to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of A Corporate Member should bring the usual documents required for such purpose.

iv) All Shareholders are requested to send us copy of their NTN Number/ Certificate immediately for the payment of Dividend, otherwise Income tax will be deducted @ 30%(Non Filer) and 15%(Filer) from the dividend amount, as per requirement of Finance Act, 2021

v) All Shareholders are again requested to send immediately their Bank A/c No. & IBAN No & Name of Bank/Branch/City along with copy of their CNIC to enable the Company to send the amount of dividend to them through Bank A/c on-line system, as per directions of the SECP.

vi) In pursuance of the directions given by SECP, annual Financial Statements of the Company for the year 30-06-2021 have been posted on the company's Website. However, any member who desires to receive annual Financial Statements through email, he may provide his email address for this purpose.

vii) All Members are requested to replace their physical shares in Book-entry form and get their names registered with the CDC, as early as possible, in compliance with the provision of the Section-72 (2) of the Companies Act, 2017.

viii) Pursuant to provisions of the SECP's Circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding aggregate 10 % or more shareholding, residing in geographical location to participate in the meeting through video conference at least ten days prior to the date of meeting, the company will arrange video conference facility in that city subject to availability of such facility in that city. In this regard, please fill the following and submit to the company at its registered office, at least ten days prior to the date of meeting.

"I/We , ……………….of…………… being a members of the Mahmood Textile Mills Limited ,holder of……,,, ordinary shares as per registered Folio No./CDC A/C….hereby for video conference facility at …………" Signature of Member.

ix). Members are requested to notify immediately any change in their addresses.

# CHAIRMAN'S REVIEW

As required under the listed companies (Code of Corporate Governance) Regulation, 2019 I am pleased to submit performance and evaluation of the company's Board.

The Board is undoubtedly core strength of the Company and is equipped with competency, skill and rich experience to run the business efficiently and effectively. All members of the board overwhelmingly attended business meetings. Relevant committees have been constituted by the board to comply with the requirement of law. Members of all committees are working enthustically to enhance business norms and prosperity of the company in all perspective.

This year performance of Company was much better as compared to previous year and company has earned a net profit of Rs. 1.36 bn and the board has recommend 100% dividend for the stakeholders.

While leading the board, I have ensured that all its members are committed to serving the company with full zeal, while taking into consideration, all material facts, information and circumstances in a manner that maximizes value for the company in all spheres. The confidence of stakeholders in the management of the company is worth mentioning. Nonetheless, the continued support and efforts of our employees, that mean a great deal to us and I take this opportunity to thank all on the behalf of the board.

Sd/-
Khawaja Muhammad Ilyas
Chairman

# چیئرمین کی جائزہ رپورٹ

مجھے کمپنی کے مقاصد میں کامیابی کیلیئے بورڈ کے مؤثر کردار اور مجموعی کارکردگی جو بمطابق کمپنیز ایکٹ 2017 سیکشن (4)192 ہے پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

بلاشبہ بورڈ کمپنی کی بنیادی قوت ہے اور یہ کاروبار کو موثر طریقے سے چلانے کے لئے قابلیت، مہارت اور بھرپور تجربے سے لیس ہے۔ بورڈ کے تمام ممبران نے کاروباری اجلاس میں بھرپور طریقے سے شرکت کی۔ بورڈ کی جانب سے قانون کے تقاضوں کو پورا کرنے کے لئے متعلقہ کمیٹیاں تشکیل دی گئی ہیں۔ تمام کمیٹیوں کے اراکین کاروبار کے معیار کو بڑھانے اور کمپنی کی خوشحالی کے لئے بھرپور جوش و جذبے سے کام کر رہے ہیں۔

امسال کمپنی کی کارکردگی پچھلے سالوں کے مقابلے میں بہت بہتر رہی اور کمپنی نے 1.36 بلین روپے کا خالص منافع کمایا اور بورڈ نے سٹیک ہولڈرز کے لئے سو فیصد ڈیویڈنڈ (حصہ) کی سفارش کی ہے۔

بورڈ کی قیادت کرتے ہوئے مجھے یقین ہے کہ اس کے تمام اراکین تمام مادی حقائق، معلومات اور حالات و واقعات کو مدنظر رکھتے ہوئے پورے جوش و جذبے کے ساتھ کمپنی کی خدمت کے لئے پُرعزم ہیں، جس کی وجہ سے کمپنی کے تمام شعبوں میں اس کی اہمیت بڑھتی ہے۔ کمپنی کی انتظامیہ پر اسٹیک ہولڈرز کا اعتماد قابلِ ذکر ہے۔ بہرحال ہمارے ملازمین کی مسلسل حمایت اور کاوش ہمارے لئے بہت حوصلہ افزاء ہے اور میں اس موقع کا فائدہ اٹھاتے ہوئے بورڈ کی جانب سے سب کا شکریہ ادا کرتا ہوں۔

**خواجہ محمد الیاس**

چیئرمین

# DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present before you the audited Financial Statements for the year ended June 30, 2021 along with Auditors' report thereon.

The year under review Alhamdoli ALLAH was an exceptional year. It is worthy to name it as "Year of Recovery". Amid significant challenges and massive uncertainty, Pakistan witnessed a V-shaped economic recovery on the back of broad based growth across all sectors, policy rate also remained unchanged at 7% which kept the business sentiment positive. On the industrial front, there was a significant rebound in economic activity, as Large Scale Manufacturing (LSM) gained traction. The industrial sector has witnessed a remarkable turnaround largely because of accommodative policies by the government in the form of industrial support packages; relief to export-oriented industries.

## TEXTILE INDUSTRY OUTLOOK

### Revival & Exports

For Textile Industry this year was a "Resolve to Revive". Overall exports of the textile sector alone soared by 19.23% to $15.5 bn in 2020-21 compared to $12.5 bn in the preceding year. This extraordinary performance of the textile sector is because of the government's supporting policies that include the introduction of following initiatives;

- Regionally competitive energy tariffs
- Elimination of duty and taxes on industrial raw materials
- Stable interest rate
- Payment of pending refunds to exporters.

The closure of regional textile markets such as India and Bangladesh, because of the COVID-19 pandemic has also diverted global attention towards Pakistan. Government decision to implement smart lockdown gave Pakistan a considerable edge compared to other textile producing countries.

### Cotton

There was a time when Cotton was considered as white Gold and was contributing 10% in the agricultural GDP and an important source of foreign exchange through export. But now is hard to meet its own country demand. Pakistan's cotton production is continuously decreasing since last three years. In order to meet the demand Pakistan textile industry has to depend on imported cotton which has made the cost of production very high. Industry imported 857,373 tons of raw cotton in outgoing year against 536,707 tons last year, showing an increase of 59.75%.

Factors like Climate change, lack of interest by local cotton research institutes, shifting of growers to other crops against cotton has played a pivotal role in the decrease in the cotton production.

In this scenario, Govt. must take a drastic step to address all issues, so as to achieve maximum cotton production.

This year Govt. has increased GST on cotton by 7% making it 17%. This decision will not only put pressure on liquidity but working capital cost will increase as well.

## COMPANY PERFORMANCE OVERVIEW

Financials results along with comparison are summarized as under:

| Profit and Loss Summary | June 30, 2021 | June 30, 2020 |
|---|---|---|
| | --- Rupees in Million --- | |
| Sales - Net | 27,934.50 | 24,465.19 |
| Gross profit | 3,813.05 | 2,113.53 |
| Distribution Cost | (703.27) | (557.02) |
| Administrative Expenses | (608.24) | (477.09) |
| Other Expenses | (162.09) | (25.23) |
| Other Income | 366.33 | 226.16 |
| Finance Cost | (1,257.78) | (1,526.58) |
| Profit before tax | 1,875.29 | (246.23) |
| Profit after tax | 1,340.60 | 71.81 |
| EPS | 71.50 | 3.83 |

The substantial portion of cost of sale consists of Raw material i.e. 81% which has been the key concern for the management to control during this year. In an effort to rationalize average production cost, management did procure wisely by procuring mix of local and majorly imported cotton and altered power consumption mix by greater use of natural gas against furnace oil and green energy by installing solar panels on our production facilities. The timely decision to alter the power mix of gas, WAPDA and solar allowed the Company to avail the optimum benefit of the arbitrage opportunity.

There has been a sharp increase in distribution cost mainly due to increase in sales volume and freight expenses. The company is committed to contain its administrative cost and increase is mainly on account of uncontrollable features, such as inflation, employee costs. Government relief in term of reducing profit rate benefit us to reduce our finance cost. Although, the management has managed to maintain an efficient portfolio of funds by reaping maximum benefits of lower benchmark rates prevalent in the country along-with minimum spreads.

The company made a strategic decision to reduce short term investments and thus have squeezed portfolio from Rs. 725 Mn to Rs. 310 Mn. We have also put our efforts to maintain our debtor turnover ratio by maintaining strong customer relationships, follow-ups ERP and Business Intelligence system.

## CORPORATE SOCIAL RESPONSIBILITY

We are fully committed in helping the deserving people for education, health and social uplift. We consider it our moral duty to invest and work for the betterment of the community and the environment in which it is growing.

Your company participated in welfare activities which are carried out to uplift the communities with special emphasis on children education and clean drinking water projects. We have established three schools with the collaboration of Care Foundation; one in Muzaffargarh and two in Kabirwala where approx. 1,000 local students get free education.

We endeavor to achieve zero accidents at our production facilities and offices and through extensive employee training in order to foster a safe working environment. Your Company is determined to ensure the safety of its employees and for this we have motivated our employees and we are 100% VACCINATED.

## CORPORATE AND FINANCIAL REPORTING

Your Company is committed to good corporate governance. The Board acknowledges its responsibility in respect of Corporate and Financial Reporting Framework. The Directors confirm that:

- The Financial Statements prepared by the management of the Company fairly present its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained by the Company;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- There are no doubts upon the Company's

ability to continue as a going concern;

- There has been no material departure from the best practices of the Code of Corporate Governance, as detailed in the listing regulations of the stock exchange;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in preparation of the financial statements; and any departure thereof has been adequately disclosed and explained;
- Summary of key operational and financial data for last six years is annexed in the annual report.
- Information about taxes and levies is given in the notes to and forming part of financial statements

## DIVIDEND PAYOUT

The management is conscious to compensate shareholders against their investment. Keeping in view good results this year board has approved 100% dividend which will be put up in annual general meeting (AGM) for approval of the members.

## Statement of Compliance with the Code of Corporate Governance:

The Company has fully complied with the requirements of the Code of Corporate Governance as contained in the Listing Regulations of Pakistan Stocks Exchange. A statement to the fact is annexed with this report.

## AUDITORS

The present auditors, M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2022.

## PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2021 is annexed to this report.

## EXPANSIONS & BMR:

The textile industry in Pakistan grew by 22.94% during the outgoing financial year, enabling the export of $15.4bn worth of value-added textiles. The export of ready-made garments went up by as much as 18.83% to $3.032bn in FY21 against $2.552 bn over the corresponding months of previous year. By following the pace of export of garments we have launched apparel unit with the capacity of 10,000 units/day but we are committed to take it to 35,000 units per day within 18 months timeframe, all major requirements has already been installed such as;

- Infrastructure
- ETP
- Boiler
- Power capacity
- Sustainability infrastructure
- Utilities

Keeping in view stated expansions we will be achieving target of 35,000 units/day. It is the only project of its own kind in South Punjab and it will add Rs. 3 billion in top line.

Your management is committed to achieve economies of scale by reducing cost of production and increasing their quantity of output moreover we will take benefit from technological advancement in machinery and by spreading our fixed costs over more units and will experience economies of scale, for this we are adding 35,328 spindles in our existing production line against TERF/ LTFF loan this BMR will add 3.6bn in our top line and will be operational in next year. We have procured state of the art machinery which will be cost efficient for us in next year.

## TEXTILE FUTURE OUTLOOK:

The certainty in the policies is vital for the viable growth of any business. Accordingly, we believes that the Government would continue to supply the required utilities and services in a consistent and economical manner in order to ensure the long-term growth of the industry as well as the overall economy.

The SBP policy rate which has remained stable for a long period, seems to be revised upwards in future, which will have impact on the business as a whole.

The investment in latest technological advance machinery will help the Company to remain cost effective, as for company operations are concerned, the management always believe to sustain its cost through maximum capacity utilization and effective procurement strategy.

## ACKNOWLEDGMENT

At the end the Directors wish to place on record their sincere appreciations for the Company's employees at all levels for their dedicated efforts and efficiency. They also wish to put on record their thanks for the co-operation and support extended by the shareholders, the Company's banks, Customers and Suppliers of the Company and hope their wholehearted support will continue in future with the same spirit and zeal.

For and on behalf of the Board

| Sd/- | Sd/- |
|---|---|
| Khawaja Muhammad Iqbal | Khawaja Muhammad Younus |
| Chief Executive Officer | Director |

Multan

Dated: 6th November, 2021

بلین ڈالر تک پہنچ گئیں۔ ملبوسات کی برآمد کی رفتار کو قائم رکھتے ہوئے ہم نے 10,000 یونٹ فی دن کی گنجائش کے ساتھ ملبوسات کا یونٹ شروع کیا ہے لیکن ہم اسے 18 ماہ کی مدت کے اندر 35000 یومیہ تک لے جانے کے لئے پُرعزم ہیں۔

تمام اہم ضروریات کو پہلے ہی متعین کر دیا گیا ہے جیسا کہ:

- انفراسٹرکچر
- ای ٹی پی
- بوائلر
- بجلی کی صلاحیت
- پائیداری کا بنیادی ڈھانچہ
- افادیت

توسیع کی حالت کو مدنظر رکھتے ہوئے ہم روزانہ 35000 یونٹ کا ہدف حاصل کرلیں گے۔ یہ جنوبی پنجاب میں اپنی نوعیت کا واحد منصوبہ ہے اور اس سے 3 بلین روپے کا اضافہ متوقع ہے۔

آپ کی انتظامیہ پیداواری لاگت کو کم کرنے اور ان کی پیداوار کی مقدار میں اضافہ کرنے سے پیمانے کی معیشت کو حاصل کرنے کے لئے پُرعزم ہے۔ اس کے علاوہ ہم مشینری میں تکنیکی ترقی سے فائدہ اٹھائیں گے۔ اور اپنی مقررہ لاگت کو مزید یونٹوں تک پھیلا کر اور پیمانے کی معیشت کے ذریعے فائدہ اٹھائیں گے۔ اس کے لئے ہم اپنی موجودہ ترقیاتی لائن میں TERF/LTFF کی وجہ سے 35238 سپنڈلز کا اضافہ کر رہے ہیں۔ BMR ہماری ٹاپ لائن میں 3.6 بلین روپے کا اضافہ کرے گا اور اگلے سال میں یہ چالو ہو جائے گا۔ ہم نے جدید ترین مشینری خریدی ہے جو اگلے سال ہمارے لئے قیمت کے اعتبار سے مناسب ہوگی۔

## ٹیکسٹائل کے مستقبل کا نقطہ نظر:

پالیسیوں میں یقین کسی بھی کاروبار کی بہتر عملی ترقی کے لئے ضروری ہے۔ اس کے مطابق ہم سمجھتے ہیں کہ حکومت صنعت کے ساتھ ساتھ مجموعی معیشت کی طویل مدتی نمو کو یقینی بنانے کے لئے مطلوبہ یوٹیلیٹیز اور خدمات کی مسلسل اور اقتصادی طور پر فراہمی جاری رکھے گی۔

اسٹیٹ بنک آف پاکستان کی پالیسی ریٹ جو ایک طویل عرصے سے مستقل ہے، مستقبل میں اوپر کی طرف جاتی نظر آرہی ہے جس کا اثر مجموعی طور پر کاروبار پر ہو گا۔

جدید ترین تکنیکی ایڈوانس مشینری میں سرمایہ کاری کمپنی کو لاگت سے موثر رہنے میں مددگار ہوگی جیسا کہ پنی کے امور کا تعلق ہے انتظامیہ ہمیشہ زیادہ سے زیادہ صلاحیت کے استعمال اور موثر خریدار کی حکمت عملی کے ذریعے اپنی لاگت کو برقرار رکھنے پر یقین رکھتی ہے۔

## اعتراف:

آخر میں ہم کمپنی کے ملازمین کی مخلصانہ کاوشوں اور کارکردگی کے لئے ہر سطح پر ان کی صلاحیتوں اور کام کرنے کے عزم کو سراہتے ہیں، ہم شیئر ہولڈرز، کمپنی کے بینکوں، صارفین اور کمپنی کے سپلائرز کے تعاون کا بھی شکریہ ادا کرنا چاہتے ہیں اور اُمید کرتے ہیں کہ آئندہ بھی وہ ہماری بھرپور حمایت پورے جوش و جذبے کے ساتھ جاری رکھیں گے۔

**خواجہ محمد اقبال**
(چیف ایگزیکٹو آفیسر)

**خواجہ محمد یونس**
(ڈائریکٹر)

ملتان
تاریخ: 6 نومبر 2021ء

کمپنی نے قلیل مدتی سرمایہ کاری کو کم کرنے کا ایک اسٹریٹجک فیصلہ کیا اور اس طرح پورٹ فولیو کو 725 ملین سے 310 ملین تک کم کیا ہے۔ ہم نے گاہک کے ساتھ مضبوط تعلقات، فالواپس، ERP اور بزنس انٹیلیجنس سسٹم کو برقرار رکھتے ہوئے اپنے قرض دہندگان کے ٹرن اوور کے تناسب کو برقرار رکھنے کی کوششیں بھی کی ہیں۔

## کاروباری افراد کی معاشی ذمہ داری:

- ہم تعلیم، صحت اور سماجی ترقی کے لئے مستحق لوگوں کی امداد کے لئے پوری طرح پُرعزم ہیں۔ ہم اپنا اخلاقی فرض سمجھتے ہیں کہ اس کمیونٹی اور ماحول کی بہتری کے لئے سرمایہ کاری کریں اور کام کریں جس میں یہ پروان چڑھ رہی ہے۔
- آپ کی کمپنی نے فلاحی سرگرمیوں میں بھرپور حصہ لیا جو بچوں کی تعلیم اور پینے کے صاف پانی کے منصوبوں پر خصوصی زور دیتے ہوئے کمیونٹیز کی ترقی کے لئے کی جاتی ہیں۔ ہم نے کیئر فاؤنڈیشن کے تعاون سے تین اسکول قائم کئے ہیں جن میں سے ایک مظفر گڑھ اور دو کبیروالا میں ہیں جہاں تقریباً 1000 مقامی طلباء مفت تعلیم حاصل کر رہے ہیں۔
- ہم اپنی پیداواری سہولیات اور دفاتر میں ملازمین کی وسیع تربیت کے ذریعے کام کرنے کے محفوظ ماحول کو فروغ دینے کے لئے حادثات کو صفر کی حد تک لانے کے لئے کوشاں ہیں۔ آپ کی کمپنی اپنے ملازمین کی حفاظت کو یقینی بنانے کے لئے پُرعزم ہے جس کے لئے ہم نے اپنے ملازمین کی بھرپور حوصلہ افزائی کی ہے اور ہم 100 فیصد ویکسین شدہ ہیں۔

## کاروباری اور مالیاتی رپورٹنگ:

آپ کی کمپنی اچھے کاروباری نظام کے لئے پُرعزم ہے۔ بورڈ کارپوریٹ اور مالیاتی رپورٹ فریم ورک کے سلسلے میں اپنی ذمہ داری کو تسلیم کرتا ہے۔ ڈائریکٹر حضرات اس امر کی تصدیق کرتے ہیں کہ:

- کمپنی کی انتظامیہ کاموں کی حالت، اس کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کے متعلق مالیاتی بیانیہ منصفانہ طور پر تیار اور پیش کرتی ہے۔
- کمپنی حسابات کے لئے مناسب بہی کھاتے مرتب کرتی ہے۔
- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے، معقول اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- جاری سرگرمیوں میں کمپنی کی صلاحیتیں کسی شک سے بالاتر ہیں۔
- اسٹاک ایکسچینج کی فہرست سازی کے ضوابط کی فہرست کے مطابق کاروباری انتظامات کے ضابطہ کے بہترین طریقے اختیار کرنے سے کوئی بڑا ڈیپارچر نہیں ہوا۔
- اندرونی انتظام کا نظام بہترین ہے۔ اسے موثر طریقے سے لاگو کر کے اس کی نگرانی کی گئی ہے۔
- IFRS کے معیار، جیسا کہ پاکستان میں نافذ ہے اور مالیاتی گوشوارے کی تیاری میں کمپنیز ایکٹ 2017ء کے تقاضوں کو مدنظر رکھا گیا ہے اور اس کی کسی بھی نکتے کی بھرپور طریقے سے کھول کر تشریح کی گئی ہے۔
- گذشتہ چھ سالوں کے اہم انتظامی اور مالیاتی اعداد و شمار کا خلاصہ سالانہ رپورٹ میں شامل کیا گیا ہے۔
- ٹیکس اور لیویز کے بارے میں معلومات نوٹس میں دی گئی ہیں جو کہ مالیاتی گوشوارے کا حصہ ہیں۔

## منافع کی ادائیگی:

انتظامیہ حصص یافتگان کو ان کی سرمایہ کاری کے بدلے معاوضہ دینے کے سلسلہ میں محتاط ہے۔ اس سال کے اچھے نتائج کو مدنظر رکھتے ہوئے بورڈ نے فی شیئر 100 فیصد ڈیویڈنڈ کی منظوری دی ہے جسے ممبران کی منظوری کے لئے سالانہ عام میٹنگ (AGM) میں پیش کیا جائے گا۔

## کاروباری انتظام کے ضابطہ کار کی تعمیل:

کمپنی نے کاروباری انتظام کے ضابطہ کے تقاضوں کی مکمل تعمیل کی ہے جیسا کہ پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز میں موجود ہے۔ ایک حقائق پر مبنی رپورٹ کے ساتھ لف ہے۔

## آڈیٹرز:

موجودہ آڈیٹر، میسرز شائن ونگ حمید چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوئے اور اہل ہونے کے بعد، خود کو دوبارہ تقرری کے لئے پیش کیا۔ آڈٹ کمیٹی نے 30 جون 2022ء کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹرز کے طور پر ان کی دوبارہ تقرری کی سفارش کی ہے۔

## شیئر ہولڈنگ کا نمونہ:

30 جون 2021ء پر شیئر ہولڈنگ کا نمونہ اس رپورٹ کے ساتھ لف ہے۔

## توسیع اور BMR

پاکستان میں حالیہ مالی سال کے دوران ٹیکسٹائل کی صنعت نے 22.94% ترقی کی جس سے 15.4 بلین ڈالر مالیت کی ویلیو ایڈڈ ٹیکسٹائل کی برآمد ممکن ہوئی۔ تیار ملبوسات کی برآمدات گذشتہ سال کے ان مہینوں کے مقابلے میں 2.552 بلین ڈالر کے مقابلے میں مالی سال 2021ء میں 18.83 فیصد سے بڑھ کر 3.032

# ممبرز کیلئے ڈائریکٹرز کی رپورٹ

30 جون 2021ء کو مالی سال کے اختتام پر ہمیں اس سال کا آڈٹ شدہ مالیاتی گوشوارہ آڈیٹر رپورٹ کے ساتھ آپ کے سامنے پیش کرتے ہوئے انتہائی مسرت ہورہی ہے۔

الحمدللہ زیر نظر سال ایک غیر معمولی سال تھا۔ اسے بحالی کا سال قرار دینے میں کوئی مضائقہ نہیں ہے۔ اہم چیلنجز اور بڑے پیمانے پر غیر یقینی صورتحال کے درمیان، پاکستان نے تمام شعبوں میں وسیع بنیاد پر ترقی کی پشت پر V شکل کی اقتصادی بحالی کا مشاہدہ، پالیسی کی شرح 7 فیصد پر برقرار رہی جس نے کاروباری فضا کو مثبت رکھا۔ صنعتی محاذ پر اقتصادی سرگرمیوں میں نمایاں بہتری آئی کیونکہ بڑے پیمانے کی پیداوار نے تناؤ حاصل کیا۔ صنعتی شعبے میں بڑی حد تک حکومت کی طرف سے صنعتی مراعات کی صورت میں موافق پالیسیوں کی وجہ سے نمایاں تبدیلی آئی ہے ایکسپورٹ پر مبنی صنعتوں کو ریلیف ملا۔

## ٹیکسٹائل کی صنعت کا نقطہ نظر

### بحالی اور برآمدات

ٹیکسٹائل کی صنعت کے لئے یہ سال ''بحالی کا سال'' تھا۔ صرف ٹیکسٹائل سیکٹر کی مجموعی برآمدت پچھلے سال 12.5 بلین ڈالر کے مقابلے میں 21-2020ء میں 19.23% اضافہ کے ساتھ 15.5 بلین ڈالر ہوگئیں۔ ٹیکسٹائل سیکٹر کی یہ غیر معمولی کارکردگی حکومت کی معاون پالیسیوں کی وجہ سے ہے جس میں درج ذیل اقدامات کو متعارف کروایا گیا۔

- علاقائی طور پر توانائی کا مسابقتی ٹیرف۔
- صنعتی خام مال پر ڈیوٹی اور ٹیکسوں کا خاتمہ۔
- مستحکم شرح سود
- برآمد کنندگان کو زیر التواء ریفنڈز کی ادائیگی۔

وبائی مرض Covid-19 کی وجہ سے بھارت اور بنگلہ دیش جیسی علاقائی ٹیکسٹائل مارکیٹوں کی بندش نے عالمی توجہ پاکستان کی طرف مبذول کرا دی ہے۔ سمارٹ لاک ڈاؤن کے نفاذ کے حکومتی فیصلے نے پاکستان کو ٹیکسٹائل کی پیداوار میں دیگر ممالک کے مقابلے میں برتری دلا دی ہے۔

### کپاس

ایک وقت تھا جب کپاس کو سفید سونا سمجھا جاتا تھا اور زرعی جی ڈی پی میں اس کا حصہ 10 فیصد تھا جس کی برآمد زرمبادلہ کمانے کا ایک بہترین ذریعہ تھا۔ لیکن اب اپنے ملک کی مانگ کو پورا کرنا مشکل ہے۔ پاکستان میں کپاس کی پیداوار گذشتہ تین سالوں سے مسلسل کم ہورہی ہے۔ طلب کو پورا کرنے کے لئے پاکستان کی ٹیکسٹائل کی صنعت کو درآمدی کپاس پر انحصار کرنا پڑتا ہے جس کی وجہ سے پیداواری لاگت بہت زیادہ ہوگئی ہے۔ صنعت نے رواں سالوں میں 857,373 ٹن خام کپاس برآمد کی جو کہ گذشتہ سال 536,707 ٹن تھی جو کہ 59.75 فیصد اضافہ کو ظاہر کرتی ہے۔

موسمیاتی تبدیلی، مقامی کپاس کی تحقیقی اداروں کی عدم دلچسپی، کاشتکاروں کا کپاس کے مقابلے میں دوسری فصلوں کی طرف منتقلی نے کپاس کی پیداوار میں کمی میں اہم کردار ادا کیا ہے۔

اس منظر نامے میں حکومت کو تمام مسائل کو حل کرنے کے لئے ٹھوس اقدامات کرنے چاہئیں تاکہ کپاس کی زیادہ سے زیادہ پیداوار حاصل کی جاسکے۔

اس سال حکومت نے کپاس پر جی ایس ٹی میں 7 فیصد اضافہ کرکے 17 فیصد کردیا ہے۔ اس فیصلے سے نہ صرف لیکویڈیٹی پر دباؤ پڑے گا بلکہ ورکنگ کیپٹل لاگت میں بھی اضافہ ہوگا۔

## کمپنی کی کارکردگی کا جائزہ

موازنہ کے ساتھ مالیاتی نتائج کا خلاصہ حسب ذیل ہے۔ (پاکستانی روپے ملینز میں)

| نفع ونقصان کا خلاصہ | 30 جون 2021ء | 30 جون 2020ء |
|---|---|---|
| کل فروخت | 27,934.50 | 24,465.19 |
| کل منافع | 3,813.05 | 2,113.53 |
| تقسیم کی لاگت | (703.27) | (557.02) |
| انتظامی اخراجات | (608.24) | (477.09) |
| دیگر اخراجات | (162.09) | (25.23) |
| دیگر آمدن | 366.33 | 226.16 |
| مالیاتی لاگت | (1,257.8) | (1,526.58) |
| محاصل سے قبل منافع | 1,448.00 | 246.23 |
| محاصل کے بعد منافع | 1,340.60 | 71.81 |
| ای۔پی۔ایس۔ | 71.50 | 3.83 |

فروخت کی لاگت کا کافی حصہ پیداواری یعنی 81% خام مال پر مشتمل ہے جسے اس سال کے دوران کنٹرول کرنا انتظامیہ کے لئے بنیادی تشویش کا باعث رہا۔

اوسط پیداواری لاگت کو معقول بنانے کی کوشش میں، انتظامیہ نے ہماری پیداواری سہولیات پر سولر پینل لگا کر فرنس آئل اور گرین انرجی کے خلاف قدرتی گیس کے زیادہ استعمال کے ذریعے مقامی اور بڑے پیمانے پر درآمدی کپاس اور تبدیل شدہ بجلی کی کھپت کے مکس کو دانشمندی سے خریداری کی۔ گیس، واپڈا اور سولر پاور مکس تبدیل کرنے کے بروقت فیصلے نے کمپنی کو زیادہ سے زیادہ فائدہ اٹھانے کا موقع دیا۔

فروخت کے حجم اور باربرداری کے اخراجات میں اضافے کی وجہ سے تقسیم کی لاگت میں تیزی سے اضافہ ہوا ہے۔ کمپنی اپنی انتظامی لاگت پر قابو پانے کے لئے انتہائی پُرعزم ہے اور یہ اضافہ بنیادی طور پر لامتناعی خصوصیات جیسا کہ افراطِ زر، ملازمین کے اخراجات کی وجہ سے ہوتا ہے۔ منافع کی شرح میں کمی کی مد میں حکومتی ریلیف ہمیں اپنی سودی کی لاگت کم کرنے کے لئے فائدہ مند ہے۔ اگرچہ، انتظامیہ نے کم از کم پھیلاؤ کے ساتھ ملک میں مروجہ کم بینچ مارک شرح کے زیادہ سے زیادہ فوائد حاصل کرکے فنڈز کے ایک موثر پورٹ فولیو کو برقرار رکھنے میں کامیاب کیا ہے۔

# SUSTAINABILITY REPORT

## DIRECTORS MESSAGE:

At Mahmood Group we are committed to integrate sustainability to the core of our business that is not only beneficial for the planet but also the people. We inspire to bring out meaningful change not just for our region but our industry through a chain of diverse and sustainable business choices.

Covid-19 made 2020 challenging for us all and but it gave us the opportunity to pause and reflect on a new reality. Employee health & safety is our topmost priority, and we carried out vaccination drives for our entire workforce to have the best chance of survival against the virus and these challenging times.

2020 also marked an exciting milestone in our social impact work. We surpassed our goal of enabling the economic empowerment of 75% women in our newest project MG Apparel. We plan to add more women to our workforce for our other projects in future.

For a green and clean environment, we have taken massive steps in Renewable Energy, Green building, Green office, Tree Plantation, conserving resources and reducing waste which will be discussed in detail in the report. We continue to pursue our goals and intend to play a pivotal role in the race to zero carbon emissions goal.

## SUSTAINABILITY FRAMEWORK

Our Sustainability Framework comprises our three pillars; People, Planet and Processes strengthened with effective corporate governance & responsible business culture based on shared value practices.

Our sustainability vision is embodied in our tagline 'Sustainable Innovation in Every Thread', is all about creating and developing long-term sustainability innovatively in every product, process, and operations.

We believe that only a company with a strategic, innovative mindset & vision can become sustainable. Innovation is the driving force for our success alongside the sustainable alignment of our businesses. As a high performing company, we encounter various challenges, and we aim to overcome them with sustainable solutions. This is the reality we live in and is also an integral part of our business philosophy and our actions.

Covid-19 pandemic has disrupted businesses, livelihoods, and communities worldwide which gave us the chance to act proactively and address the social and environmental issues at top priority.

With our latest project MG Apparel our prime objective has been to deploy eco-friendly processes and sustainable choices to bring our facility to life. MG Apparel is an embodiment of technology meeting sustainability. An apparel manufacturing facility has been established from grass root level by incorporating innovative sustainable methods every step of the way. Whether it is effective utilization of recycled material, or minimum water supply management or cotton production our priority has always been to come up with top-notch solutions that are verified globally as per the sustainability metrics. We prioritize adhering to sustainable business choices and play our part in conserving the non-renewable resources of mother Earth.

## TOWARDS 100% RENEWABLE ENERGY

We strongly advocate when it comes to reducing carbon footprint and using renewable energy. We are continuously working on energy conservation models, improving energy efficiency, and installing on-site solar PV.

We believe that renewable solutions are critical for a sustainable future and thus we are now operating at a 7.0 MW solar PV, with reduction in 2,500 CO2 tons carbon footprint, 3,700 MWh annual productions and reduction in operating costs.

Our solar energy is equipped with the latest innovative technology; half-cell PVs, cloud-based monitoring systems and updated structures assisting as major contributors in socioeconomic development.

We plan to add another 2.5 MW before the closing of next financial year.

## GREEN OFFICE

We have set up a practical Environmental Management System (EMS) for our office with collaboration with WWF Pakistan with the aim to make it more environmentally friendly by continuously reducing environmental burden and use of natural resources as well as trying to positively influence the preservation of biodiversity.

Currently we have worked on developing a paper free environment by introducing Human Resource Information Systems which has led to a significant reduction in paper usage. Furthermore, we have recently incorporated archiving in our ERP system.

Electricity conservation strategies are followed as a part of our routine. Last year we started managing waste; paper, plastic and organic separately, its disposal and recycling of non-biodegradable waste. We plan to improve upon it this year and get the desired results.

We are also working on Green Purchase Policy for procurement of environmentally friendly products and building relationships with suppliers committed to responsible supply chains. It is also a part of our culture to celebrate all international days related to the environment, food, planet, and society.

## GREEN BUILDINGS

Infrastructure plays a vital role in the operations of the business and therefore having sustainability at the ground level is what we envision to do. Our latest project of MG Apparel is in process of being recognized as LEED platinum certified. We target to convert our existing buildings also into the category of GOLD/Silver. LEED (Leadership in Energy and Environmental Design), a leading international certification standard.

## SUPPLY CHAIN

To effectively address the wide-ranging challenges of a sustainable supply chain and identify synergies, we continue to conduct pilot audits by qualified external auditors and address all the gaps. Time and motion studies are also conducted to improve efficiency of the process and the workers.

Sustainability of the supply chain is ensured through various steps such as using energy efficient fans, installation of LED lights, installation of power monitoring systems, reducing wastewater, heat recovery from hot wastewater, use of hot water within the respective department, and using compressed air for effective processing.

## NATURAL ENVIRONMENT AND REDUCING WASTE

25 water filtration plants are installed at various sites for the society for clean drinking water catering to 200,000 people daily, leading to reduction in potential risk of disease occurrence and increasing living standards.

To maintain the natural habitat, approximately 10,000 trees are planted at various locations in Multan including parks every year and this year full-grown trees were planted. Other than this, we have contributed to the maintenance of many parks, green belts and different localities of Multan also converting a 103 sq. meters' land to a sports complex open to local public with various sports facilities.

We are committed to reduce food wastage through practical steps such as creating awareness, feeding the hunger with surplus food and proactive planning. In this regard, MG Family works very closely with the Robin Hood Army chapter of Multan and is also led by members of the MG family.

## HEALTH, SAFETY & ENVIRONMENT

We managed to proactively implement all possible SOPs related to coronavirus as recommended by WHO at work even before the pandemic hit Pakistan. The SOPs have been strictly followed since then. We have various HSE related certifications such as Inditex, which is a social audit and one of the most difficult ones to achieve.

## HUMAN CAPITAL

We are committed to invest in human capital and also serve the society alongside. Education is given high importance and in collaboration with Care Foundation, we are running three schools in Kabirwala and one in Muzaffargarh with a subsidized model catering to 1000 students along with sponsoring education funds to many deserving students. Along with this we are running 3 more schools of Punjab Govt with care foundation.

In collaboration with Foster Learning Pakistan, we recently organized Literacy Training Program for our 300 low literate skilled workers with a target to reach 2000 by the end of next fiscal year. Women working at the mills are also given special upskilling training every week.

Other projects related to women and youth empowerment are in pipeline such as different vocational training especially for females residing at the colonies and kitchen gardening. In addition to that, special soft skills training has also been conducted to boost their confidence and groom them to become valuable professionals.

## WOMEN EMPOWERMENT

Women empowerment is highly regarded in our group. There has been a consistent and conscious effort to ensure that women are provided with the anchor, support and a platform that encourages them to overcome their fears and take on any challenge life may throw at them. Majority of our workforce is female to encourage the women of our region to feel safe and pursue their dreams to earn a livelihood for themselves and their families.

## ACKNOWLEDGEMENT

We would like to sincerely thank all our stakeholders for their support, acknowledgement, and valued guidance especially in this tough time. We envisaged our conglomerate as one that serves as a torch bearer of equal employment opportunities and empowering the marginalized groups of the society i-e women, people with disability etc. Our team has especially prioritized female hiring to provide an equal employment field for the women of our country.

With an objective to create a diverse, equal, and safe working space for our employees we aim to contribute positively to the society and stick to our core values that can propel our organization to excel on national and international level

# FINANCIAL SUMMARY

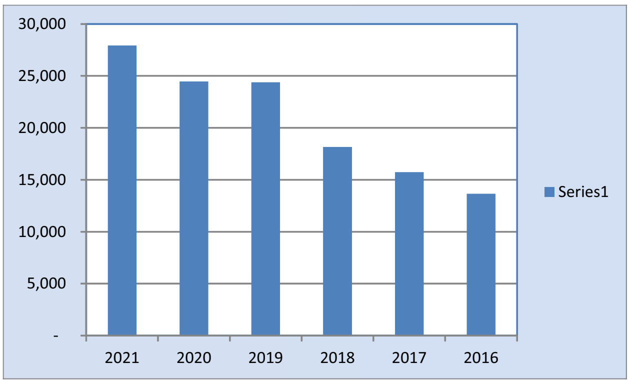
SIX YEARS REVIEW AT A GLANCE

Rupees in Million

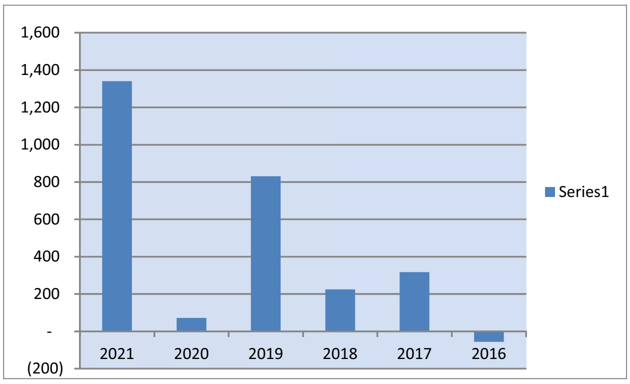
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| FIXED ASSETS | 9697 | 8,581 | 8,941 | 5,594 | 3,197 | 2,925 |
| LONG TERM INVESTMENTS | 4610 | 4,190 | 3,889 | 1,383 | 1,493 | 1,233 |
| LONG TERM DEPOSITS | 25 | 10 | 10 | 9 | 9 | 9 |
| CURRENT ASSETS | 12492 | 12,667 | 12,426 | 11,219 | 9,670 | 6,529 |
| TOTAL ASSETS | **26,824** | **25,448** | **25,266** | **18,205** | **14,369** | **10,696** |
| **FINANCED BY:** | | | | | | |
| EQUITY | 9937 | 8,583 | 8,484 | 4,704 | 4,783 | 4,466 |
| LONG TERM LIABILITIES | 5834 | 5,497 | 3,350 | 2052 | 861 | 705 |
| DEFFERED LIABILITIES | 387 | 104 | 80 | 0 | 0 | 0 |
| CURRENT LIABILITIES | 10652 | 11,264 | 13,352 | 11,449 | 8,725 | 5,525 |
| TOTAL FUNDS INVESTED | **26,810** | **25,448** | **25,266** | **18,205** | **14,369** | **10,696** |
| **PROFIT AND LOSS:** | | | | | | |
| SALES - NET | 27,934 | 24,465 | 24,387 | 18,154 | 15,748 | 13,664 |
| OPERATING PROFIT | 2,706 | 1,280 | 1,348 | 973 | 786 | 529 |
| PROFIT BEFORE TAXATION | 1,875 | 302 | 1,062 | 287 | 467 | 3 |
| PROFIT AFTER TAXATION | 1,341 | 72 | 831 | 225 | 317 | (56) |
| DIVIDENDS | 100% | 0% | 25% | 25% | 90% | 0% |
| PROFIT C/F | 7,091 | 5,596 | 5,491 | 4,703 | 4,626 | 4,308 |
| EPS | 71.50 | 3.82 | 40.03 | 15.00 | 21.13 | (3.73) |

# GRAPHICAL PRESENTATION

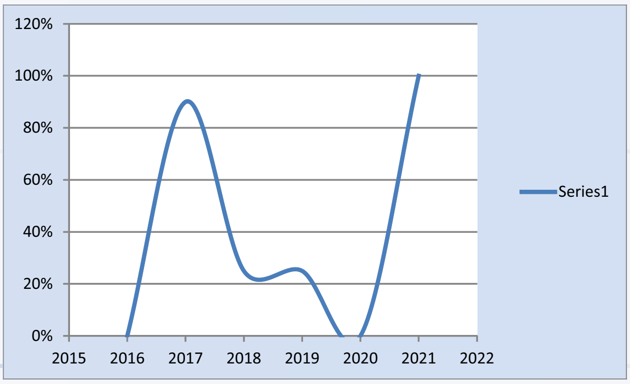
## Sales (Rs. in million)



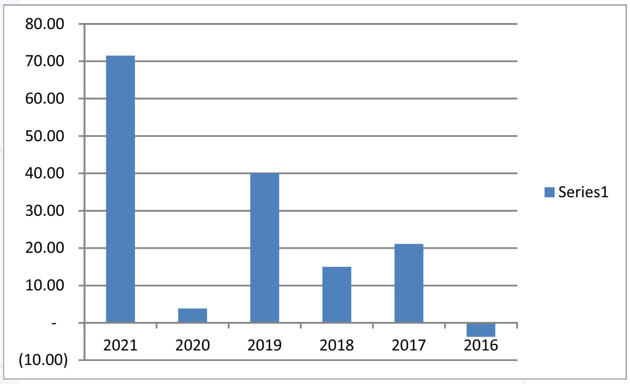

## Profit after Taxation (Rs. in million)



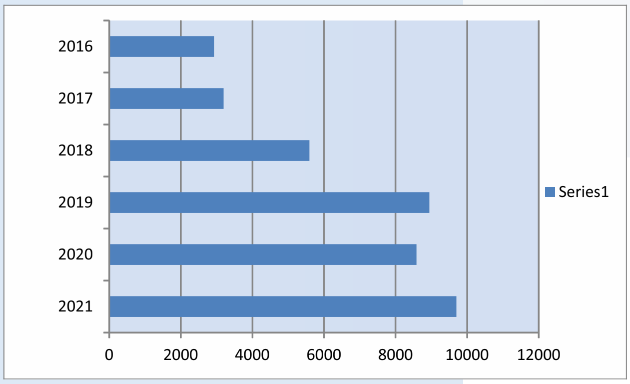

## Dividends (Rupees)



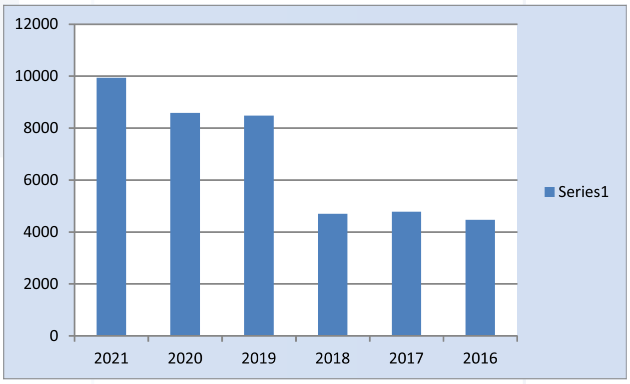

## Earning per Share (Rupees)




## Fixed Assets (Rs. in million)




## Equity (Rs. in million)



# BOARD HUMAN RESOURCE COMMITTEE

**Composition:**

| | |
|---|---|
| Abdul Rehman Qureshi | Chairman |
| Khawaja Muhammad Ilyas | Member |
| Khawaja Muhammad Muzaffar Iqbal | Member |

**Terms of Reference**

The Committee makes recommendations to the Board for maintaining (i) a sound organizational plan of the Company, (ii) an effective employee development programme and (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve said objectives.

The Terms of Reference of the Board Human Resource Committee include review and recommendations for the Board's approval, matters relating to:

(i) Changes in organization, functions and relationships affecting management positions.

(ii) Establishment of Human Resource plans and procedures.

(iii) Determination of appropriate limits of authority and approval procedures for personnel matters.

(iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.

(v) Review and evaluation of compensation policies, practices and procedures.

# BOARD AUDIT COMMITTEE

**Composition:**

The Board Audit Committee is composed of the following Directors:

| | |
|---|---|
| Mr. Muhammad Asghar | Chairman |
| Khawaja Muhammad Younas | Member |
| Khawaja Muhammad Anees | Member |

**Terms of Reference**

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision of any service to the Company by its external auditors in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met four (4) times during the year with an average participation of all members

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES

## (Code of Corporate Governance) Regulations, 2019

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 (Regulations) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The total number of directors are 8 as per the following:

a. Male: 7

b. Female: 1

2. The composition of board is as follows:

| Category | Name |
|---|---|
| Independent Director | Mr. Abdul Rehman Qureshi<br>Mr. Muhammad Asghar |
| Non-executive Director | Mr. Khawaja Muhammad Ilyas<br>Mr. Khawaja Muhammad Younus<br>Mr. Khawaja Muhammad Muzaffar Iqbal<br>Mr. Khawaja Muhammad Anees |
| Executive Directors | Mr. Khawaja Muhammad Iqbal<br>Mrs. Farah Ilyas |

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 and 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 dates 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 Companies Act, 2019 (Act) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Out of total eight Directors, five Directors are exempted from Directors Training Program (DTP), two Directors have completed the DTP and remaining one Director shall complete the DTP in near future;

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

11. Chairman, Chief Executive Officer, Chief Financial Officer and one Director duly endorsed the financial statements before approval of the Board.

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

**a) Audit Committee**

Mr. Muhammad Asghar (Chairman)
Mr. Khawaja Muhammad Younus (Member)
Mr. Khawaja Muhammad Anees (Member)

**b) HR and Remuneration Committee**

Mr. Abdul Rehman Qureshi (Chairman)
Mr. Khawaja Muhammad Ilyas (Member)
Mr. Khawaja Muhammad Muzaffar Iqbal

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

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

**a) Audit Committee**

1st Meeting: within four months of end of year
2nd Meeting: within one months of end of quarter
3rd Meeting: within two months of end of half year
4th Meeting: within one month of end of quarter

**b) HR and Remuneration Committee**

1 meeting during the year.

15. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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 (ICAP) 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 financial 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. The Board has been reconstituted with 7 directors and Chief Executive Officer. One additional independent director and one female director have been added to the Board. The Company currently has 2 independent directors. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements. At the time of appointment of Directors in EOGM at 31 January, 2020 total no. of directors appointed were seven including two independent directors which fulfill requirement of law.

19. We confirm that all requirements of regulations 3,6,7,8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the Board of Directors.

Multan: Sd/
Dated: 6th November, 2021 Chairman

# PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2021

| NUMBER OF SHAREHOLDERS | SHAREHOLDING FROM | TO | | TOTAL SHARES HELD |
|---|---|---|---|---|
| 19 | 1 | 100 | Shares | 980 |
| 52 | 101 | 500 | Shares | 12,338 |
| 21 | 501 | 1,000 | Shares | 14,620 |
| 20 | 1,001 | 5,000 | Shares | 36,709 |
| 4 | 5,001 | 10,000 | Shares | 25,141 |
| 1 | 10,001 | 15,000 | Shares | 11,143 |
| 2 | 15,001 | 20,000 | Shares | 31,245 |
| 1 | 35,001 | 40,000 | Shares | 37,836 |
| 1 | 120,001 | 125,000 | Shares | 123,668 |
| 1 | 135,001 | 140,000 | Shares | 139,817 |
| 1 | 220,001 | 225,000 | Shares | 470,154 |
| 4 | 270,001 | 275,000 | Shares | 1,081,763 |
| 1 | 290,001 | 295,000 | Shares | 291,452 |
| 1 | 305,001 | 310,000 | Shares | 307,680 |
| 3 | 350,001 | 355,000 | Shares | 1,064,829 |
| 1 | 370,001 | 375,000 | Shares | 373,822 |
| 1 | 400,001 | 405,000 | Shares | 501,571 |
| 1 | 405,001 | 410,000 | Shares | 405,663 |
| 1 | 515,001 | 520,000 | Shares | 519,541 |
| 1 | 1,125,001 | 1,130,000 | Shares | 1,127,887 |
| 1 | 1,480,001 | 1,485,000 | Shares | 1,484,017 |
| 1 | 1,490,001 | 1,495,000 | Shares | 1,491,421 |
| 1 | 1,510,001 | 1,520,000 | Shares | 1,511,375 |
| 1 | 1,800,001 | 1,805,000 | Shares | 1,803,398 |
| 2 | 1,820,001 | 1,825,000 | Shares | 3,645,334 |
| 1 | 2,235,001 | 2,240,000 | Shares | 2,236,596 |
| 151 | | | | 18,750,000 |

| CATEGORIES OF SHAREHOLDERS | NUMBER | SHARE HELD | PERCENTAGE % |
|---|---|---|---|
| Directors, Chief Executive Officer & their spouse & minor childern | 10 | 5,492,519 | 29.30% |
| Associated Companies Under takings & related parties: | 2 | 568,671 | 3.03 |
| NIT & ICP | 2 | 38,086 | 0.20 |
| Banks, Development Financial institutions, Non-Banking Financial Institutions: | 2 | 13,349 | 0.07 |
| Joint stock companies: | 4 | 774,436 | 4.13 |
| Insurance companies: | - | - | - |
| Modarabas & Mutual Funds: | - | - | - |
| Shareholders Holding 10% | - | - | - |
| General Public: | | | |
| i) Local | 131 | 11,862,939 | 63.27 |
| ii) Foreign | - | | - |
| Others | - | - | - |
| | 151 | 18,750,000 | 100 |

The above two statements include (108) Shareholders holding 1,511,375 Shares through Central Depository Company of Pakistan Limitd (CDC)

# INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As At June 30, 2021

| SHARE HOLDER'S CATEGORY | | Number of Shares Held | Percentage of Shareholding |
|---|---|---|---|
| **i)** | **Associated Companies, undertaking &** related parties(name wise details): | | |
| | -Masood Spinning Mills Limited | 568,171 | |
| | -Roomi Enterprises (Pvt) Limited | 500 | |
| | | **568,671** | **3.03%** |
| **ii)** | **Mutual Funds(Name wise details):** | **38,086** | **0.20%** |
| | - NIT & ICP | | |
| **iii)** | **Directors,Chief Executive and their spouse(s) and minor children(name wise details):** | | |
| | 1- Khawaja Muhammad Iqbal, Director & Chief Executive | 1,803,398 | |
| | Mst.Khadija Qureshi (Spouse) | 123,668 | |
| | 2- Khawaja Muhammad Ilyas,Director | 291,452 | |
| | 3. Mst. Farrah Ilyas, Female Director | 1,000 | |
| | 4- Khawaja Muhammad Younus,Director | 2,236,596 | |
| | Mst.Rubina Wadood (Spouse) | 139,817 | |
| | 5- Khawaja Muhammad Muzaffar Iqbal, Director | 519,541 | |
| | 6- Khawaja Muhammad Anees, Director | 373,822 | |
| | 7- Mr. Abdul Rehman Qureshi, Independent Director | 3,125 | |
| | 8. Mr. Muhammad Asghar,Independent Director | 100 | |
| | | **5,492,519** | **29.30%** |
| **iv)** | **Banks, Development Financial Institutions, Non-Banking Financial Institutions:** | | |
| | - National Bank of Pakistan | **13,349** | **0.07%** |
| **v)** | **Joint Stock Companies:** | | |
| | - CDC-Trustee National Investment(Unit)Trust | 157,078 | |
| | - Crescent Group Service(Pvt) Limited | 2,401 | |
| | - Roomi Fabrics Limited | 601,652 | |
| | - Roomi Holdings(Pvt) Limited | 13,305 | |
| | | **774,436** | **4.13%** |
| **vi)** | **General Public:** | | |
| | i) Local: | **11,862,939** | **63.27%** |
| | ii) Foreign: | - | |
| | **Total:** | **18,750,000** | **100%** |

# DIRECTORS ATTENDANCE AT BOARD MEETINGS

From July 1st 2020 to June 30, 2021

| Sr. No. | Name | Designation | Meeting Held | Meeting Attended |
|---|---|---|---|---|
| 1. | Khawaja Muhammad Iqbal | CEO | 4 | 4 |
| 2. | Khawaja Muhammad Ilyas | Chairman | 4 | 4 |
| 3. | Khawaja Muhammad Younus | Director | 4 | 4 |
| 4. | Mrs. Humera Jalaluddin | Director | 4 | 3 |
| 5. | Khawaja Muhammad Muzaffar Iqbal | Director | 4 | 4 |
| 6. | Khawaja Muhammad Anees | Director | 4 | 4 |
| 7. | Mr. Abdul Rehman Qureshi | Independent Director | 4 | 4 |
| 8. | Mr. Muhammad Asghar | Independent Director | 4 | 4 |
| 9. | Mrs. Farah Ilyas | Directer | 4 | 1 |

# Financial Statements

## Mahmood Textile Mills Limited

For the year ended 30 June 2021

# INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS

## 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 Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Mahmood Textile Mills Limited (the Company) for the year ended June 30, 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 June 30, 2021.

**ShineWing Hameed Chaudhri & Co.**
Chartered Accountants.

Date: 6th November, 2021

Multan:

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements of Mahmood Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of other 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 other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (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 year. 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 matter was addressed in our audit |
|---|---|---|
| 1. | **Revenue** | |
| | Refer note 26 to the financial statements relating to revenue. The Company is engaged in production and sale of yarn and cloth and has recognized net revenue of Rs. 27,934 million for the year ended June 30, 2021. | Our audit procedures included the following:<br>– We obtained an understanding of design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on stated accounting policy;<br>– We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; |

| Sr. No. | Key Audit Matters | How the matter was addressed in our audit |
|---|---|---|
| | The Company generates revenue from export and local sale of yarn, fabric and waste. Revenue from sale of goods is recognized when the Company satisfies the performance obligation under the contract by transferring the promised goods to the customers. Revenue recognition criteria have been explained in note 4.21 to the financial statements.<br><br>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized on the basis of transfer of control of goods to the customer in line with the accounting policy adopted and may not have been recognized in the appropriate period. | – We compared on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;<br>– We checked on a sample basis the recorded sales transactions with underlying supporting documents; and<br>– We further assessed the adequacy of related disclosures in the financial statements. |
| **2.** | **Long term investment** | |
| | Refer note 6 to the financial statements relating to long term investments. The Company has discontinued equity method on its investment in Roomi Fabrics Limited (RFL) with effect from April 30, 2021, pursuant to elimination of common directorship. This investment is now measured at fair value. Due to RFL being non-listed Company, its share do not have a quoted price in stock market. Therefore, fair value of shares has been determined through valuation methodology involving several estimation techniques and management's judgment to reasonable and expected future cashflows and related discount rates. Management engaged an independent valuer to perform these valuations on its behalf. Due to the significant level of judgments and estimation required to determine the fair values of the investments, we consider it a key audit matter. | Our audit procedures included the following:<br>– We obtained the related documents including SECP forms to verify that common directorship no more exists;<br>– We obtained the valuation report prepared by the independent valuer to understand and evaluate the process by which the cashflow forecasts were prepared and checked the mathematical accuracy of the underlying calculations;<br>– We evaluated the cashflow forecasts by obtaining understanding of business of RFL;<br>– We evaluated the independent valuer's competence, capability, objectivity and assessed appropriateness of methodology adopted;<br>– We assessed the significant assumptions and judgments applied by management in the valuation method;<br>– We further assessed the adequacy of related disclosures in the financial statements. |

| Sr. No. | Key Audit Matters | How the matter was addressed in our audit |
|---|---|---|
| **3.** | **Capital expenditure** | |
| | We refer to note 5 to the financial statements relating to property, plant & equipment. The Company has incurred significant amounts of capital expenditure during the year. We have identified this as a | Our audit procedures included the following:<br>– We obtained understanding of the Company's process with respect to the incurring and recording of capital expenditure; |

| Sr. No. | Key Audit Matters | How the matter was addressed in our audit |
|---|---|---|
| | key audit matter since these represent significant transactions for the year and we needed to ascertain whether the amounts recorded vide capitalization of costs matched with the capitalization criteria as per accounting policy of the Company and were in line with the applicable financial reporting standards. | – We obtained an understanding of design and operating effectiveness of internal controls relevant to such process;<br>– We reviewed the break-up of cost element of capitalization recorded in books of account and evaluated the suitability of recording;<br>– We reviewed the selected contracts and underlying supporting documents of various elements of the capitalized cost; and<br>– We further assessed the adequacy of related disclosures in the financial statements. |
| **4.** | **Borrowings** | |
| | Refer to note 17 and 22 to the financial statements relating to long term financing and short term borrowings. The Company has significant amount of long term financing and short term borrowings from various commercial Banks amounting to Rs. 5.834 billion and Rs. 8.281 billion (including current portion of long term financing) respectively being 83.59% of total liabilities, as at the reporting date.<br><br>Given the significant level of borrowings and related finance costs, along with compliance with various loan covenants, this is considered to be a key audit matter. | Our audit procedures included the following:<br>– We reviewed the loan agreements and facility letters to ascertain the terms and conditions of repayment, rates of markup used and disclosed by management for finance costs and to ensure that the borrowings have been approved at appropriate level;<br>– We verified the disbursements and repayments made by the Company during the year on sample basis to confirm that repayments are being made on time and no default has been made;<br>– We assessed the procedures designed by management to comply with the debt covenants and performed covenant testing on sample basis;<br>– We obtained confirmation from Banks of the Company to confirm balances, terms & conditions stated in the facility offer letter and compliance thereof;<br>– We performed analytical procedures, recalculations and other related procedures for verification of finance costs;<br>– We ensured that the outstanding liabilities have been properly classified and terms of the financing have been adequately disclosed in the financial statements; and<br>– We further assessed the adequacy of related disclosures in the financial statements. |

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' 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 other 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 auditors' report is Talat Javed.

ShineWing Hameed Chaudhri & Co.
Chartered Accountants

Date: 6th November, 2021

Multan

# Statement of Financial Position

*AS AT JUNE 30, 2021*

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***ASSETS*** | | | |
| ***Non-current assets*** | | | |
| Property, plant and equipment | 5 | 9,697,357,253 | 8,581,294,924 |
| Long term investments | 6 | 4,610,296,183 | 4,189,562,438 |
| Long term deposits | 7 | 25,015,991 | 9,980,881 |
| | | 14,332,669,427 | 12,780,838,243 |
| ***Current assets*** | | | |
| Stores, spares and loose tools | 8 | 424,157,383 | 231,879,387 |
| Stock in trade | 9 | 7,819,940,634 | 7,059,216,934 |
| Trade debts | 10 | 2,649,519,841 | 3,102,628,027 |
| Loans and advances | 11 | 266,004,529 | 183,371,309 |
| Other receivables | 12 | 299,368,361 | 715,604,921 |
| Short term investments | 13 | 310,290,723 | 725,341,435 |
| Tax refunds due from the Government | 14 | 624,605,970 | 603,992,409 |
| Cash and bank balances | 15 | 97,604,558 | 45,045,826 |
| | | 12,492,091,999 | 12,667,080,248 |
| ***TOTAL ASSETS*** | | **26,824,761,426** | 25,447,918,491 |
| ***EQUITY AND LIABILITIES*** | | | |
| ***Equity*** | | | |
| Authorized share capital | | | |
| 30,000,000 ordinary shares of Rs.10 each | | 300,000,000 | 300,000,000 |
| Issued, subscribed and paid-up share capital | 16 | 187,500,000 | 187,500,000 |
| Capital reserves: | | | |
| Capital reserve | | 7,120,600 | 7,120,600 |
| Surplus on revaluation of property, plant and equipment | | 2,653,328,652 | 2,791,356,716 |
| Fair value gain on long term investment | | 15,650,000 | - |
| Revenue reserve - Unappropriated profit | | 7,074,367,128 | 5,596,683,362 |
| | | 9,937,966,380 | 8,582,660,678 |
| ***Liabilities*** | | | |
| ***Non-current liabilities*** | | | |
| Long term financing | 17 | 5,816,966,306 | 5,497,569,194 |
| Lease liabilities | 18 | 12,686,893 | - |
| Deferred liabilities | 19 | 387,834,550 | 104,497,826 |
| ***Current liabilities*** | | | |
| Trade and other payables | 20 | 1,771,221,349 | 1,760,984,425 |
| Unclaimed dividends | | 2,385,830 | 2,438,530 |
| Accrued mark-up | 21 | 274,851,819 | 293,505,910 |
| Short term borrowings | 22 | 7,300,515,179 | 8,763,773,382 |
| Current maturity of long term liabilities | 23 | 983,304,927 | 180,488,546 |
| Taxation | 24 | 320,000,000 | 262,000,000 |
| | | 10,652,279,104 | 11,263,190,793 |
| ***Total liabilities*** | | 16,886,795,046 | 16,865,257,813 |
| ***TOTAL EQUITY AND LIABILITIES*** | | **26,824,761,426** | 25,447,918,491 |
| ***Contingencies and commitments*** | 24 | | |

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

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Statement of Profit or Loss

*FOR THE YEAR ENDED JUNE 30, 2021*

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| Sales - net | 26 | 27,934,497,779 | 24,465,188,294 |
| Cost of sales | 27 | (24,121,441,821) | (22,351,654,940) |
| ***Gross Profit*** | | 3,813,055,958 | 2,113,533,354 |
| Distribution cost | 28 | (703,274,288) | (557,016,854) |
| Administrative expenses | 29 | (608,238,545) | (477,089,874) |
| Other income | 30 | 366,333,766 | 226,159,607 |
| Other expenses | 31 | (162,091,249) | (25,228,774) |
| ***Profit from operations*** | | 2,705,785,642 | 1,280,357,458 |
| Finance cost | 32 | (1,257,782,753) | (1,526,583,917) |
| | | 1,448,002,889 | (246,226,459) |
| Share of profit of associates | 6 | 427,292,596 | 548,591,744 |
| ***Profit before taxation*** | | 1,875,295,485 | 302,365,285 |
| Taxation | 33 | (534,692,148) | (230,550,760) |
| ***Profit after Taxation*** | | **1,340,603,337** | **71,814,525** |
| ***Earnings per Share*** | 34 | **71.50** | **3.83** |

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

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Statement of Other Comprehensive Income

*FOR THE YEAR ENDED JUNE 30, 2021*

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***Profit after taxation*** | | 1,340,603,337 | 71,814,525 |
| ***Other comprehensive income*** | | | |
| *Items that will not be reclassified subsequently to statement of profit or loss* | | | |
| Share of other comprehensive income of associate | | (947,635) | 26,948,050 |
| Equity investment at FVTOCI - net change in fair value | 6.4 | 20,000,000 | - |
| Related deferred tax | 19.1 | (4,350,000) | - |
| | | 15,650,000 | - |
| ***Total comprehensive income for the year*** | | **1,355,305,702** | **98,762,575** |

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Statement of Changes In Equity

*FOR THE YEAR ENDED JUNE 30, 2021*

| | Share capital | Capital reserve | Capital reserves: Surplus on revaluation of property, plant and equipment | Capital reserves: Fair value gain on long term investment | Revenue reserve: Unappropriated profit | Total |
|---|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | | |
| ***Balance as at June 30, 2019*** | 150,000,000 | 7,120,600 | 2,916,720,253 | - | 5,410,057,250 | 8,483,898,103 |
| ***Transactions with owners*** | | | | | | |
| Bonus shares issued during the period in ratio of 25 shares for every 100 shares held | 37,500,000 | - | - | - | (37,500,000) | - |
| ***Total Comprehensive income for the year*** | | | | | | |
| Profit for the year | - | - | - | - | 71,814,526 | 71,814,526 |
| Other comprehensive income for the year | - | - | 26,948,050 | - | - | 26,948,050 |
| | - | - | 26,948,050 | - | 71,814,526 | 98,762,576 |
| Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation | - | - | (152,311,587) | - | 152,311,587 | - |
| ***Balance as at June 30, 2020*** | 187,500,000 | 7,120,600 | 2,791,356,716 | - | 5,596,683,362 | 8,582,660,678 |
| ***Total Comprehensive income for the year*** | | | | | | |
| Profit for the year | - | - | - | - | 1,340,603,337 | 1,340,603,337 |
| Other comprehensive income for the year | - | - | (947,635) | 15,650,000 | - | 14,702,365 |
| | - | - | (947,635) | 15,650,000 | 1,340,603,337 | 1,355,305,702 |
| Transfer from revaluation surplus on property, plant and equipment on account of incremental depreciation | - | - | (137,080,429) | - | 137,080,429 | - |
| ***Balance as at June 30, 2021*** | **187,500,000** | **7,120,600** | **2,653,328,652** | **15,650,000** | **7,074,367,128** | **9,937,966,380** |

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Statement of Cash Flows

*FOR THE YEAR ENDED JUNE 30, 2021*

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| Profit / (loss) for the year - before taxation and share of profit of associates | 1,448,002,889 | (246,226,458) |
| ***Adjustments for non-cash charges and other items:*** | | |
| Depreciation | 733,073,982 | 782,857,782 |
| Gain on disposal of operating fixed assets - net | (1,934,092) | (785,225) |
| Fair value loss / (gain) on re-measurement of short term investments | 3,551,581 | (19,348,437) |
| Loss / (gain) on sale of short term investments | 26,926,529 | (119,793,622) |
| Fair value gain on long term investments | (192,728,029) | - |
| Duty drawback on export sales | - | (21,154,959) |
| Dividend | (127,164,596) | - |
| Government grant income | (27,918,719) | (339,390) |
| Finance cost | 1,257,782,753 | 1,526,583,917 |
| ***Profit before working capital changes*** | 3,119,592,298 | 1,901,793,608 |
| ***Effect on cash flows due to working capital changes*** | | |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | (192,277,996) | 68,022,909 |
| Stock in trade | (760,723,700) | 534,280,829 |
| Trade debts | 453,108,186 | (1,416,749,669) |
| Loans and advances | (82,633,220) | 330,021,761 |
| Other receivables | 416,236,560 | (334,091,186) |
| Sales tax refunds | 108,362,574 | (112,093,830) |
| Increase in trade and other payables | 71,014,870 | 319,340,922 |
| | 13,087,274 | (611,268,264) |
| ***Cash generated from operations*** | 3,132,679,572 | 1,290,525,344 |
| Income tax paid | (387,459,505) | (124,546,684) |
| ***Net cash generated from operating activities*** | 2,745,220,067 | 1,165,978,660 |
| ***Cash flows from investing activities*** | | |
| Purchase of property, plant and equipment | (1,886,149,880) | (432,629,389) |
| Sale proceeds of operating fixed assets | 38,947,661 | 10,483,333 |
| Short term investments - net | 383,972,602 | 884,206,914 |
| Long term deposits | (15,035,110) | - |
| Proceeds from sale tax refund bonds | - | 35,300,000 |
| Dividends received | 345,503,841 | 174,671,396 |
| ***Net cash (used in) / generated from investing activities*** | (1,132,760,886) | 672,032,254 |
| ***Cash flows from financing activities*** | | |
| Long term financing - net | 1,164,748,396 | 1,894,580,772 |
| Lease liabilities | 15,098,902 | - |
| Dividend paid | (52,700) | (33,823) |
| Short term borrowings - net | (1,463,258,203) | (2,099,312,777) |
| Finance cost paid | (1,276,436,844) | (1,612,797,317) |
| ***Net cash used in financing activities*** | (1,559,900,449) | (1,817,563,145) |
| ***Net increase in cash and cash equivalents*** | **52,558,732** | 20,447,769 |
| ***Cash and cash equivalents - at beginning of the year*** | **45,045,826** | 24,598,057 |
| ***Cash and cash equivalents - at end of the year*** | **97,604,558** | 45,045,826 |

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

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

## 1. LEGAL STATUS AND OPERATIONS

Mahmood Textile Mills Limited (the Company) was incorporated in Pakistan on February 25, 1970 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The Company is principallyengaged in manufacture and sale of yarn and grey cloth.

Geographical location and addresses of business unit / mills:

***Registered office / Head office***

Mehr Manzil, Lohari Gate, Multan

***Regional Office***

2nd floor, Cotton Exchange Building, I.I. Chundrigarh Road, Karachi

***Mills***

- Mahmoodabad, Multan Road, Muzaffargarh
- Masoodabad, D.G. Khan Road, Muzaffargarh
- Chowk Sarwar Shaheed, District Muzaffargarh
- Industrial Estate, Multan

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act 2017; and
- Provision of and directives issued under the Companies Act, 2017.

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except disclosed otherwise in the accounting policy notes.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest Rupee unless otherwise stated.

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

**(a) *Property, plant and equipment***

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

**(b) *Stores & spares and stock-in-trade***

The Company estimates the net realizable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make sale.

**(c) *Income taxes***

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

***2.5*** No critical judgment has been used in applying the accounting policies.

**3. *APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS***

The following amendments to existing standards have been published that are applicable to the Company’s financial statements covering annual periods, beginning on or after the following

***3.1 New accounting standards / amendments to approved accounting standards for current***

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company’s operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the

***(a)*** Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company’s operations and are, therefore, not detailed in these financial statements, except for the following:

***(a)*** Amendment to IAS 1 is effective for period beginning on April 01, 2021. The IASB issued a narrow-scope amendment to IAS 1,Presentation of financial statements’, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

In particular, the amendment clarifies that;

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;

- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;

- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;

- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and

- Settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The Company has assessed that the impact of this amendment is not expected to be significant.

***(b)*** Amendment to IAS 16 'Property, plant and equipment' is effective from January 01, 2022 prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. The amendment applies retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendment.

***(c)*** Amendments to IAS 37 is effective from January 01, 2022. Under IAS 37 'Provisions, contingent liabilities and contingent assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations i.e. the lower of the costs of fulfilling the contract and the costs of terminating it outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs e.g. direct labour and materials; and an allocation of other direct costs e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

### *4.1 Property, plant and equipment*

Property, plant and equipment except leasehold land, freehold land, buildings on freehold land, buildings on leasehold land, and capital work in progress are stated at cost less accumulated depreciation and impairment loss, if any.

Leasehold land and freehold land are stated at revalued amount being the fair value at the date of revaluation.

Buildings on freehold land and buildings on leasehold lands are stated at revalued amount being the fair value at the date of revaluation, less accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date. Any revaluation increase arising on the revaluation of such asset is recognized in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. 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. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation is transferred directly to unappropriated profit.

Depreciation is taken to statement of profit or loss applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 5.1. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to statement of profit or loss. Major improvements and modifications are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

Capital work in progress is stated at cost less any recognized impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

### *4.2 Government grants*

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initialcarrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The entity considers the conditions and obligations that have been, or must be, met when identifyingthe costs for which the benefit of the loan is intended to compensate.

### *4.3 Right-of-use assets*

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initialdirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any.

### *4.4 Leases*

Until June 30, 2019, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss on a straight-linebasis over the period of the lease.

Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

***4.5 Investments in Associated Companies***

Investments in Associated Companies are accounted for by using equity basis of accounting, under which the investments in Associated Companies are initially recognized at cost and the carrying amounts are increased or decreased to recognize the Company's share of profit or loss of the Associated Companies after the date of acquisition.The Company's share of profit or loss and other comprehensive income of the Associated Companies is recognized in the Company's statement of profit or loss and other comprehensive income respectively. Distributions received from Associated Companies reduce the carrying amount of investments.

The carrying amount of investments is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognized in statement of profit or loss.

***4.6 Stores, spares and loose tools***

Stores, spares and loose tools are stated at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the reporting date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

***4.7 Stock-in-trade***

Basis of valuation are as follows:

| ***Particulars*** | ***Mode of valuation*** |
|---|---|
| Raw materials: | |
| - At mills | - At lower of annual average cost of both local and imported stocks and net realizable value. |
| - In transit | - At cost accumulated upto the reporting date. |
| Work-in-process | - At manufacturing cost. |
| Finished goods | - At lower of cost and net realizable value. |
| Waste | - At net realizable value. |

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of annual average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realizable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

***4.8 Trade debts and other receivables***

Trade debts are initially recognized at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less loss allowance, if any.

The Company always measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditionsof the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Trade debts and other receivables considered irrecoverable are written off.

***4.9 Cash and cash equivalents***

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand and balances with banks.

***4.10 Borrowings and borrowing cost***

Borrowings are recognized initiallyat fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

***4.11 Staff retirement benefits***

The Company operates an un-funded gratuity scheme for all its eligible employees. Provision is made annually to cover obligation under the scheme. The payable balance of gratuity is fully paid to the employees on annual basis.

***4.12 Trade and other payables***

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

***4.13 Provisions***

Provisions are recognized when the Company has a present 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

***4.14 Taxation***

***(a) Current***

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

***(b) Deferred***

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognized for taxable temporary differences and deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is charged or credited to the statement of profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

### 4.15 *Dividend and appropriation to reserves*

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the period in which these are approved.

### 4.16 *Financial assets*

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through 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.

a) ***Initial recognition and measurement of financial assets***

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

***i) Equity instruments***

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1).

For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

- ***Fair value through other comprehensive income (FVTOCI)***

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

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.

- ***Fair value through profit or loss (FVTPL)***

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

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.

***ii) Debt instruments***

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flows characteristics of the assets. Three categories in which the Company classifies its debt instruments are:

- ***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.

- ***Fair value through other comprehensive income (FVTOCI)***

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI.

- ***Fair value through profit or loss (FVTPL)***

Financial assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

Gains and losses arising on debt instrument measured at amortized cost and as FVTPL are recognized in profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on these debt instrument are also recognized in profit or loss. Gains and losses from changes in fair value of debt instruments measured as FVTOCI are recognized in other comprehensive income and are reclassified to profit or loss on derecognition or reclassification.

***b) Derecognition of financial assets***

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

***4.17 Financial liabilities***

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

***4.18 Impairment of financial assets***

The Company recognizes a loss allowance for ECL on trade debts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always recognizes lifetime ECL for trade debts. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

***i) Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

a) The financial instrument has a low risk default,

b) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

***ii) Definition of default***

The Company employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company.

***iii) Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event (see (ii) above);

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

***iv) Write-off policy***

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

***v) Measurement and recognition of ECL***

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

***4.19 Off-setting***

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

***4.20 Foreign currency translations***

Foreign currency transactions are recorded in Pak Rupees using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated in Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are taken to statement of profit or loss.

***4.21 Revenue recognition***

The Company policy for revenue recognition under different contracts with customers stands amended as follows:

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

***Sale of Goods***

The Company sold its products in separately identifiable contacts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

Revenue from local sale of goods is recognized when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant in coterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

***Rendering of Services***

Revenue from contracts for provision of the services is recognized at the point in time when the processed goods are dispatched from the mills to the customer.

***Export rebate***

Export rebate income is recognized on accrual basis as and when the right to receive the income establishes.

***Return on Bank deposits***

Return on bank deposits / interest income is recognized using applicable effective interest rate method. Income is accrued as and when the right to receive the income is established.

***4.22 Impairment of non-financial assets***

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

***4.23 Segment reporting***

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products being produced and sold, the Company has been organized into two operating segments i.e. spinning and weaving.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and for assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Finance cost, other income and expenses and taxation are managed at the Company level. Unallocated assets mainly include long term investments, long term deposits, tax refunds due from the Government and cash & bank balances.

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***5. PROPERTY, PLANT AND EQUIPMENT*** | | | |
| Operating fixed assets | 5.1 | 8,139,587,130 | 8,455,199,841 |
| Capital work-in-progress: | | | |
| - Buildings | | 604,899,942 | - |
| - Advance for purchase of vehicles | | 77,355,796 | - |
| - Plant and machinery | | 875,514,385 | 126,095,083 |
| | | 1,557,770,123 | 126,095,083 |
| | | **9,697,357,253** | **8,581,294,924** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

## 5.1 Operating fixed assets - tangible

| Particulars | Right of use assets (Vehicles) | Leasehold land | Freehold land | Buildings on freehold land | Buildings on leasehold land | Plant and machinery | Stand-by equipment / Generators | Furniture and fittings | Vehicles | Office equipment | Protective dam | Electric installations | Gas installations | Tools and equipment | Computer and accessories | Weighing bridge | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Owned | | | | | | | | | |
| | | | | | | | | Rupees | | | | | | | | | |
| ***Cost*** | | | | | | | | | | | | | | | | | |
| ***Balance as at June 30, 2019*** | - | 369,776,000 | 1,070,450,000 | 2,025,397,559 | 901,270,790 | 7,166,329,610 | 877,056,772 | 24,793,796 | 268,706,002 | 3,401,248 | 10,715,778 | 464,938,903 | 5,848,646 | 21,693,803 | 33,470,830 | 4,699,872 | 13,248,549,609 |
| Additions during the year | - | - | - | 21,886,564 | 1,254,754 | 197,720,656 | - | 4,698,169 | 46,072,673 | - | - | 84,573,720 | 1,015,623 | - | 2,697,890 | - | 359,920,049 |
| Disposals during the year | - | - | - | - | - | (4,526,179) | - | - | (14,836,895) | - | - | - | - | - | - | - | (19,363,074) |
| Revaluation surplus | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| ***Balance as at June 30, 2020*** | **-** | **369,776,000** | **1,070,450,000** | **2,047,284,123** | **902,525,544** | **7,359,524,087** | **877,056,772** | **29,491,965** | **299,941,780** | **3,401,248** | **10,715,778** | **549,512,623** | **6,864,269** | **21,693,803** | **36,168,720** | **4,699,872** | **13,589,106,584** |
| ***Balance as at June 30, 2020*** | - | 369,776,000 | 1,070,450,000 | 2,047,284,123 | 902,525,544 | 7,359,524,087 | 877,056,772 | 29,491,965 | 299,941,780 | 3,401,248 | 10,715,778 | 549,512,623 | 6,864,269 | 21,693,803 | 36,168,720 | 4,699,872 | 13,589,106,584 |
| Additions during the year | 14,933,763 | - | - | 2,724,164 | 24,506,589 | 71,238,677 | - | 8,555,912 | 127,923,098 | - | - | 196,542,229 | - | - | 8,050,408 | - | 454,474,840 |
| Disposals during the year | - | - | - | - | - | - | - | - | (58,213,007) | - | - | - | - | - | - | - | (58,213,007) |
| ***Balance as at June 30, 2021*** | **14,933,763** | **369,776,000** | **1,070,450,000** | **2,050,008,287** | **927,032,133** | **7,430,762,764** | **877,056,772** | **38,047,877** | **369,651,871** | **3,401,248** | **10,715,778** | **746,054,852** | **6,864,269** | **21,693,803** | **44,219,128** | **4,699,872** | **13,985,368,417** |
| ***Depreciation*** | | | | | | | | | | | | | | | | | |
| ***Balance as at June 30, 2019*** | - | - | - | 441,054,559 | 86,913,790 | 2,986,952,915 | 493,364,832 | 9,668,772 | 114,406,229 | 2,993,343 | 4,371,139 | 176,401,114 | 2,786,205 | 8,503,949 | 29,839,759 | 3,457,321 | 4,360,713,927 |
| Charge for the year | - | - | - | 160,892,149 | 80,446,448 | 431,169,354 | 38,330,452 | 1,710,202 | 32,610,789 | 40,791 | 317,232 | 34,256,601 | 365,489 | 1,318,986 | 1,275,034 | 124,255 | 782,857,782 |
| Charge on disposals | - | - | - | - | - | (3,364,834) | - | - | (6,300,132) | - | - | - | - | - | - | - | (9,664,966) |
| ***Balance as at June 30, 2020*** | **-** | **-** | **-** | **601,946,708** | **167,360,238** | **3,414,757,435** | **531,695,284** | **11,378,974** | **140,716,886** | **3,034,134** | **4,688,371** | **210,657,715** | **3,151,694** | **9,822,935** | **31,114,793** | **3,581,576** | **5,133,906,743** |
| ***Balance as at June 30, 2020*** | - | - | - | 601,946,708 | 167,360,238 | 3,414,757,435 | 531,695,284 | 11,378,974 | 140,716,886 | 3,034,134 | 4,688,371 | 210,657,715 | 3,151,694 | 9,822,935 | 31,114,793 | 3,581,576 | 5,133,906,743 |
| Charge for the year | 1,640,343 | - | - | 144,721,038 | 74,363,352 | 397,429,527 | 34,536,149 | 2,094,969 | 37,264,199 | 36,711 | 301,370 | 36,246,304 | 371,257 | 1,187,087 | 2,769,847 | 111,829 | 733,073,982 |
| Charge on disposals | - | - | - | - | - | - | - | - | (21,199,438) | - | - | - | - | - | - | - | (21,199,438) |
| ***Balance as at June 30, 2021*** | **1,640,343** | **-** | **-** | **746,667,746** | **241,723,590** | **3,812,186,962** | **566,231,433** | **13,473,943** | **156,781,647** | **3,070,845** | **4,989,741** | **246,904,019** | **3,522,951** | **11,010,022** | **33,884,640** | **3,693,405** | **5,845,781,287** |
| Book value as at June 30, 2020 | **-** | **369,776,000** | **1,070,450,000** | **1,445,337,415** | **735,165,306** | **3,944,766,652** | **345,361,488** | **18,112,991** | **159,224,894** | **367,114** | **6,027,407** | **338,854,908** | **3,712,575** | **11,870,868** | **5,053,927** | **1,118,296** | **8,455,199,841** |
| Book value as at June 30, 2021 | **13,293,420** | **369,776,000** | **1,070,450,000** | **1,303,340,541** | **685,308,543** | **3,618,575,802** | **310,825,339** | **24,573,934** | **212,870,224** | **330,403** | **5,726,037** | **499,150,833** | **3,341,318** | **10,683,781** | **10,334,488** | **1,006,467** | **8,139,587,130** |
| Annual depreciation rate (%) | 20 | - | - | 10 | 10 | 10 | 10 | 10 | 20 | 10 | 5 | 10 | 10 | 10 | 30 | 10 | |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

***5.2*** Leasehold land and buildings on leasehold land represent the leased assets allotted by the Board of Management, Industrial Estate, Multan for a period of 99 years.

***5.3*** Freehold land of the Company is located at District Muzaffargarh with area of 469 Kanal 12 Marlas and leasehold land of the Company is located at Industrial Estate, Multan with area of 131 Kanal and 5 Marlas.

***5.4*** The revaluation of leasehold land, freehold land, buildings on freehold land and buildings on leasehold land has been carried out by M/S K. G. Traders (Private) Limited as at June 30, 2019 on the basis of market value, which resulted in revaluation surplus of Rs. 2,886.62 millions.

***5.5*** Had there been no revaluation the related figures of leasehold land, freehold land, buildings on freehold land and buildings on leasehold land as at June 30, 2021 would have been as follows:

| | *Cost* | *Accumulated depreciation* | *Net book value* |
|---|---|---|---|
| | ---------------------Rupees------------------- | | |
| Leasehold land | 20,755,743 | - | 20,755,743 |
| Freehold land | 55,962,349 | - | 55,962,349 |
| Buildings on freehold land | 780,686,000 | 504,499,912 | 276,186,088 |
| Buildings on leasehold land | 673,238,547 | 194,499,408 | 478,739,139 |
| | **1,530,642,639** | **698,999,320** | **831,643,319** |

***5.6*** Forced sale values of leasehold land, freehold land, buildings on freehold land and buildings on leasehold land as per latest revaluation report were Rs. 295.820 million, Rs. 856.360 million, Rs. 1,267.474 million and Rs. 651.485 million respectively.

### *5.7 Disposal of operating fixed assets*

| *Particulars of assets* | *Cost* | *Accumulated depreciation* | *Book value* | *Sale proceeds / insurance claim* | *Gain / (loss)* | *Sold through negotiation to / insurance claim received from* |
|---|---|---|---|---|---|---|
| | ----------------------------- *Rupees* ----------------------------- | | | | | |
| *Items with individual net book value exceeding Rs. 500,000 each* | | | | | | |
| *Vehicles* | | | | | | |
| Toyota Crown | 7,200,000 | 2,744,319 | 4,455,681 | 4,650,000 | 194,319 | Mr. Muhammad Arif |
| Audi E-Tron Quattro | 15,900,562 | 786,194 | 15,114,368 | 15,500,000 | 385,632 | Mr. Muahmmad Tahir Ayoub |
| Kia Sportage | 6,187,612 | 1,224,853 | 4,962,759 | 5,500,000 | 537,241 | Carfirst Multan |
| Honda Civic | 3,044,104 | 1,830,336 | 1,213,768 | 1,450,000 | 236,232 | Ubl Insurers Limited |
| Honda BRV | 2,360,000 | 1,161,749 | 1,198,251 | 1,225,000 | 26,749 | Mrs. Irshad Rehmatullah |
| Suzuki Cultus | 1,420,000 | 699,019 | 720,981 | 750,000 | 29,019 | Mrs. Irshad Rehmatullah |
| Toyota Land Cruiser | 8,628,840 | 4,886,179 | 3,742,661 | 3,742,661 | - | United Motors Multan |
| Kia Grand Carnival | 6,499,000 | 2,259,763 | 4,239,237 | 4,500,000 | 260,763 | Control Union (Pvt) Ltd |
| | 51,240,118 | 15,592,412 | 35,647,706 | 37,317,661 | 1,669,955 | |
| *Aggregate value of assets having individual book value not exceeding Rs. 500,000 each* | 6,972,889 | 5,607,026 | 1,365,863 | 1,630,000 | 264,137 | |
| *2021* | **58,213,007** | **21,199,438** | **37,013,569** | **38,947,660** | **1,934,091** | |
| *2020* | 19,363,074 | 9,664,966 | 9,698,108 | 10,483,333 | 785,225 | |

| | *Note* | *2021 Rupees* | *2020 Rupees* |
|---|---|---|---|
| ***5.8 Depreciation for the year has been apportioned as under:*** | | | |
| Cost of sales | 26 | 689,267,913 | 747,220,966 |
| Administrative expenses | 28 | 43,806,069 | 35,636,816 |
| | | **733,073,982** | **782,857,782** |

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

***5.9*** During the year, the Company has capitalized the borrowing cost amounting 16.216 million (2020: Rs. 1.349 million) at the rate ranged from 5% to 9.88% (2020: 9.62% per annum).

| | Note | *2021 Rupees* | *2020 Rupees* |
|---|---|---|---|
| ***6. LONG TERM INVESTMENTS*** | | | |
| ***Associated Companies - Un-quoted*** | | | |
| Masood Spinning Mills Limited (MSML) | 6.1 | 455,324,862 | 366,524,475 |
| Roomi Fabrics Limited (RFL) | 6.2 | - | 775,517,012 |
| Orient Power Company (Pvt.) Limited (OPCL) | 6.3 | 3,114,971,321 | 3,047,520,951 |
| | | **3,570,296,183** | **4,189,562,438** |
| ***At fair value through OCI - Un-quoted*** | | | |
| Roomi Fabrics Limited (RFL) | 6.4 | 1,040,000,000 | - |
| | | **4,610,296,183** | **4,189,562,438** |

***6.1 Masood Spinning Mills Limited (MSML)***

| | | |
|---|---|---|
| 4,000,000 (2020: 4,000,000) ordinary shares of Rs.10 each - cost | 40,000,000 | 40,000,000 |
| Equity held:**13.32%** (2020: 13.32%) | | |
| Post acquisition profits brought forward | 326,524,475 | 297,850,111 |
| | 366,524,475 | 337,850,111 |
| Share of profit / (loss) for the year | 120,008,358 | (6,786,154) |
| Share of other comprehensive income for the year | - | - |
| Adjustment based on last year's audited financial statements | - | - |
| - Statement of profit and loss | (30,467,533) | 12,654,653 |
| - Statement of comprehensive income | (740,438) | 22,805,865 |
| | 455,324,862 | 366,524,475 |

***6.1.1*** MSML was incorporated in Pakistan on July 20, 2000 as a public limited company. It is principally engaged in manufacture and sale of cotton yarn.

***6.1.2*** The summary of financial information of MSML based on its financial statements for the year ended June 30, is as follows:

| | *2021 Rupees* | *2020 Rupees* |
|---|---|---|
| ***Summarized Statement of Financial Position*** | | |
| Non-current assets | 4,771,125,280 | 4,459,173,715 |
| Current assets | 9,486,219,242 | 7,860,801,290 |
| | 14,257,344,522 | 12,319,975,005 |
| Non-current liabilities | 2,169,234,477 | 2,244,066,864 |
| Current liabilities | 8,670,998,096 | 7,559,759,839 |
| | 10,840,232,573 | 9,803,826,703 |
| ***Net assets*** | 3,417,111,949 | 2,516,148,302 |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| ***Reconciliation to carrying amount*** | | |
| Opening net assets | 2,516,148,302 | 2,801,389,484 |
| Profit for the year | 900,963,647 | (279,682,339) |
| Other Comprehensive income for the year | - | (5,558,843) |
| Closing net assets | 3,417,111,949 | 2,516,148,302 |
| Company's share percentage **13.32%** (2020: 13.32%) | | |
| Company's share | 455,159,312 | 335,150,954 |
| Miscellaneous adjustments | 165,550 | 165,550 |
| Adjustment based on last year's audited financial statements | - | 31,207,971 |
| | 455,324,862 | 366,524,475 |
| ***Summarized Statement of Profit or Loss*** | | |
| Sales | 17,355,254,903 | 13,758,577,157 |
| Profit before taxation | 1,202,645,574 | (150,312,612) |
| Profit after taxation | 900,963,647 | (279,682,339) |

| | April 30, 2021 Rupees | June 30, 2020 Rupees |
|---|---|---|
| ***6.2 Roomi Fabrics Limited (RFL)*** | | |
| 4,000,000 (2020: 4,000,000) ordinary shares of Rs.10 each **- cost** | 40,000,000 | 40,000,000 |
| Equity held: **18.18%** (2020: 18.18%) | | |
| Post acquisition profits brought forward | 735,517,012 | 681,830,302 |
| | 775,517,012 | 721,830,302 |
| Share of profit for the period / year | 51,962,156 | 36,929,763 |
| Share of other comprehensive income for the period | (207,197) | - |
| Adjustment based on last year's audited financial statements | | |
| - Statement of profit and loss | - | 12,614,762 |
| - Statement of comprehensive Income | - | 4,142,185 |
| | 827,271,971 | 775,517,012 |
| Fair value adjustment recognized in profit or loss | 192,728,029 | - |
| | 1,020,000,000 | - |
| Transfer of investment to fair value | (1,020,000,000) | - |
| | - | 775,517,012 |

***6.2.1*** The Company has discontinued equity method on its investment in RFL with effect from April 30, 2021, pursuant to elimination of common directorship. This investment is now measured at fair value with difference in fair value and carrying value of Rs. 192.728 million recognized in statement of profit or loss. The Company at the date of transfer of investment has made an irrevocable election to present subsequent changes in fair value in other comprehensive income and classify this investment at fair value through other comprehensive income.

The fair value of the investment in RFL as at April 30, 2021 and June 30, 2021 has been determined by an independent valuer and designated at level 3 as mentioned in note 38.

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

***6.2.2*** RFL was incorporated in Pakistan on May 20, 2002 as a public company limited by shares. It is principally engaged in manufacture and sale of yarn and grey cloth.

***6.2.3*** The summary of financial information of RFL based on its financial statements for the year ended June 30, is as follows:

| | Note | *April 30, 2021 Rupees* | *June 30, 2020 Rupees* |
|---|---|---|---|
| ***Summarized Statement of Financial Position*** | | | |
| Non-current assets | | 6,813,614,021 | 6,004,777,842 |
| Current assets | | 15,579,281,733 | 12,254,074,349 |
| | | 22,392,895,754 | 18,258,852,191 |
| Non-current liabilities | | 2,996,708,664 | 3,111,196,821 |
| Current liabilities | | 14,845,736,203 | 10,881,885,225 |
| | | 17,842,444,867 | 13,993,082,046 |
| ***Net assets*** | | 4,550,450,887 | 4,265,770,145 |
| ***Reconciliation to carrying amount*** | | | |
| Opening net assets | | 4,265,770,145 | 4,062,636,138 |
| Profit for the period / year | | 285,820,438 | 203,134,007 |
| Other Comprehensive income for the period | | (1,139,696) | - |
| Closing net assets | | 4,550,450,887 | 4,265,770,145 |
| Company's share percentage **18.18%** (2020:18.18%) | | 827,271,971 | 775,517,012 |
| ***Summarized Statement of Profit or Loss*** | | | |
| Sales | | 12,961,225,894 | 13,460,112,444 |
| Profit before taxation | | 502,524,701 | 295,963,682 |
| Profit after taxation | | 285,820,438 | 203,134,008 |
| ***6.3 Orient Power Company (Pvt.) Limited (OPCL)*** | | | |
| 87,335,969 (2020: 87,335,969) ordinary shares of Rs.10 each | 6.3.2 | 2,485,343,420 | 2,485,343,420 |
| Equity held: 20.967% ( 2020: 20.967%) | | | |
| Post acquistion profits brought forward | | 562,177,531 | 243,670,207 |
| | | 3,047,520,951 | 2,729,013,627 |
| Share of profit for the year | | 250,378,078 | 534,269,736 |
| Dividend received | | (218,339,245) | (174,671,396) |
| Adjustment based on last year audited financial statements | | | |
| - Statement of profit and loss | | 35,411,453 | (41,091,016) |
| | | **3,114,971,321** | **3,047,520,951** |

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

***6.3.1*** OPCL was incorporated in Pakistan on June 16, 2003 as a private limited company and started its operations on May 24, 2010. It has been established to set up and operate a 212.7 megawatt power generation plant for generation of electricity and onward sale to the power purchaser.

***6.3.2*** The summary of financial information of OPCL based on its financial statements for the year ended June 30, is as follows:

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| ***Summarized Statement of Financial Position*** | | |
| Non-current assets | 9,697,609,739 | 10,193,544,434 |
| Current assets | 16,110,661,311 | 13,268,206,409 |
| | 25,808,271,050 | 23,461,750,843 |
| Non-current liabilities | 3,7075,729 | 30,658,505 |
| Current liabilities | 10,914,652,557 | 8,727,355,571 |
| | 10,951,728,286 | 8,758,014,076 |
| ***Net assets*** | 14,856,542,764 | 14,703,736,767 |
| ***Reconciliation to carrying amount*** | | |
| Opening net assets | 14,703,736,767 | 12,819,776,841 |
| Profit for the year | 1,194,153,088 | 2,717,037,598 |
| Dividend | (1,041,347,091) | (833,077,672) |
| Closing net assets | **14,856,542,764** | **14,703,736,767** |
| Company's share percentage **20.967%** (2020: 20.967%) | | |
| Company's share | 3,114,971,321 | 3,082,932,489 |
| Adjustment based on last year audited financial statements | - | (35,411,538) |
| | **3,114,971,321** | **3,047,520,951** |
| ***Summarized Statement of Profit or Loss*** | | |
| Sales | 11,642,652,454 | 9,989,880,420 |
| Profit before taxation | 1,194,153,088 | 2,717,037,598 |
| Profit after taxation | 1,194,153,088 | 2,717,037,598 |

***6.3.3*** The Company had acquired 39,842,500, 6,000,000 and 41,493,469 ordinary shares during the years 2011, 2017 and 2019 respectively, resulting in total holding of 87,335,969 ordinary shares.

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***6.4 Roomi Fabrics Limited (RFL)*** | | | |
| *(at fair value through OCI)* | | | |
| Transfer during the year | 6.2.1 | 1,020,000,000 | - |
| Fair value gain recognized in other comprehensive income | | 20,000,000 | - |
| Fair value as at June 30, 2021 | | **1,040,000,000** | **-** |

## 7. LONG TERM DEPOSITS

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Opening balance | 9,980,881 | 9,980,881 |
| Deposits paid to MEPCO | 15,035,110 | - |
| | **25,015,991** | **9,980,881** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **8.** | ***STORES, SPARES AND LOOSE TOOLS*** | | | |
| | Stores including in-transit inventory valuing Rs. 20.915 million (2020: Rs. 12.568 million) | | 413,659,443 | 219,240,374 |
| | Spares | | 9,425,431 | 11,419,360 |
| | Loose tools | | 1,072,509 | 1,219,653 |
| | | | **424,157,383** | **231,879,387** |

***8.1*** Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **9.** | ***STOCK IN TRADE*** | | | |
| | Raw materials including in-transit inventory valuing Rs. 737.871 million (2020: Rs. 1,188.050 million) | | 6,629,381,592 | 5,680,317,258 |
| | Work-in-process | | 215,687,450 | 180,673,772 |
| | Finished goods | | 974,871,592 | 1,198,225,904 |
| | | | **7,819,940,634** | **7,059,216,934** |
| **10.** | ***TRADE DEBTS*** | | | |
| | ***Unsecured - considered good*** | | | |
| | - local | 10.1 | 2,009,739,678 | 1,492,702,811 |
| | ***Secured*** | | | |
| | - local | 10.2 | 132,934,112 | 44,521,825 |
| | - export | | 506,846,051 | 1,565,403,391 |
| | | | 639,780,163 | 1,609,925,216 |
| | | | **2,649,519,841** | **3,102,628,027** |

***10.1*** This includes Rs. 399.338 million (2020: nil) due from Masood Fabrics Limited. Maximum aggregate amount outstanding during the year is Rs. 688.261 million (2020: nil).

This balance is not either past due or impaired *(refer note 41)*.

***10.2*** These trade debts are secured against letters of credit issued by customers in favour of the Company.

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **11.** | ***LOANS AND ADVANCES*** | | | |
| | Advances to: | | | |
| | - executives | | 4,893,191 | 1,316,229 |
| | - employees | | 11,564,827 | 5,373,844 |
| | - suppliers and contractors | | 173,090,227 | 100,521,770 |
| | Deposit with Sui Northern Gas Pipelines Ltd. | 25.2 | 75,221,140 | 75,221,140 |
| | Letters of credit | | 1,235,144 | 938,326 |
| | | | **266,004,529** | **183,371,309** |
| **12.** | ***OTHER RECEIVABLES*** | | | |
| | Cotton claims receivable | | 23,293,767 | 55,846,199 |
| | Insurance claims receivable | | 67,093,526 | 32,617,331 |
| | Containers' deposits | | 1,838,967 | 703,969 |
| | Duty drawbacks receivable on export sales | | 198,565,203 | 198,565,203 |
| | Receivable against shares | | 2,030,824 | 421,201,804 |
| | Others | | 6,546,074 | 6,670,415 |
| | | | **299,368,361** | **715,604,921** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **13.** | ***SHORT TERM INVESTMENTS - Quoted*** | | | |
| | *(at fair value through profit or loss)* | | | |
| | ***Equity Instruments*** | | | |
| | Oil & Gas Development Company Limited (OGDCL) | | | |
| | 1,440,000 (2020: nil) shares of Rs.10 each | | 133,652,387 | - |
| | Lalpir Power Limited (LPL) | | | |
| | Nil (2020: 20,715,500) shares of Rs.10 each | | - | 269,113,425 |
| | Arif Habib Corporation Limited (AHCL) | | | |
| | Nil (2020: 9,586,385) shares of Rs.10 each | | - | 236,879,573 |
| | United Bank Limited (UBL) | | | |
| | 116,600 (2020: nil) shares of Rs. 10 each | | 14,189,917 | - |
| | | | 147,842,304 | 505,992,998 |
| | Adjustment on re-measurement to fair value | 31 | 3,248,419 | 23,348,437 |
| | | | **151,090,723** | **529,341,435** |
| | ***Debt Instrument*** | | | |
| | Habib Bank Limited - TFC's | | 166,600,000 | 200,000,000 |
| | 1,700 (2020: 2000) TFCs | | | |
| | Adjustment on re-measurement to fair value | 31 | (6,800,000) | (4,000,000) |
| | | | **159,800,000** | 196,000,000 |
| | | | **310,890,723** | **725,341,435** |

***13.1*** Nil (2020: nil) shares of OGDCL and UBL are pledged with any commercial bank as security for any finance facility utilized.

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **14.** | ***TAX REFUNDS DUE FROM THE GOVERNMENT*** | | | |
| | Income tax refundable, advance tax and tax deducted at source | | 432,224,940 | 303,248,805 |
| | Sales tax refundable | | 192,381,030 | 300,743,604 |
| | | | **624,605,970** | 603,992,409 |
| **15.** | ***CASH AND BANK BALANCES*** | | | |
| | Cash-in-hand | | 6,696,492 | 5,836,558 |
| | Cash at banks: | | | |
| | - current accounts | | 90,774,228 | 39,080,961 |
| | - saving accounts | 15.1 | 133,838 | 128,307 |
| | | | 90,908,066 | 39,209,268 |
| | | | **97,604,558** | **45,045,826** |

***15.1*** These carry profit at the rates ranging from 4% to 5% (2020: 4% to 6%) per annum.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

## 16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2021 | 2020 | | Note | 2021 | 2020 |
|---|---|---|---|---|---|
| Number of shares | | | | Rupees | Rupees |
| 6,288,800 | 6,288,800 | Ordinary shares of Rs.10 each fully paid in cash | | 62,888,000 | 62,888,000 |
| 11,000 | 11,000 | Ordinary shares of Rs.10 each issued as fully paid against shares of Mahmood Power Generation Limited upon merger | | 110,000 | 110,000 |
| 12,450,200 | 12,450,200 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | | 124,502,000 | 124,502,000 |
| **18,750,000** | **18,750,000** | | | **187,500,000** | **187,500,000** |

### 16.1 Movement in issued, subscribed and paid-up capital

| 2021 | 2020 | | Note | 2021 | 2020 |
|---|---|---|---|---|---|
| 18,750,000 | 15,000,000 | At beginning of the year | | 187,500,000 | 150,000,000 |
| - | 3,750,000 | Ordinary shares of Rs.10 each issued during the year as fully paid bonus shares | 16.6 | - | 37,500,000 |
| **18,750,000** | **18,750,000** | At the end of year | | **187,500,000** | **187,500,000** |

### 16.2 Ordinary shares held by the related parties at the reporting date are as follows:

| | 2021 | 2020 |
|---|---|---|
| | -- Number of shares -- | |
| Masood Spinning Mills Limited | 568,171 | 567,525 |
| Roomi Fabrics Limited | - | 595,352 |
| Roomi Enterprises (Private) Limited | 500 | - |
| | **568,671** | **1,162,877** |

***16.3*** The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All the shares rank equally with regard to the Company's residual assets.

***16.4*** The Company has one class of ordinary shares, which carries no right to fixed income.

***16.5*** The Company has no reserved shares for issuance under options and sale contracts.

***16.6*** During the previous year the Company had issued 25% bonus shares in the ratio of 25 bonus share for every 100 shares held by the shareholders as approved by the members in the Annual General Meeting of the Company held on October 30, 2019.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| 17. | ***LONG TERM FINANCING - Secured*** | | | |
| | ***From banking companies*** | | | |
| | Habib Bank Limited (HBL) | 17.1 | 1,566,481,061 | 1,492,057,668 |
| | MCB Bank Limited (MCB) | 17.2 | 336,917,368 | 357,474,733 |
| | Meezan Bank Limited (MBL) | 17.3 | 243,886,466 | 221,415,313 |
| | United Bank Limited (UBL) | 17.4 | 346,940,250 | 382,882,745 |
| | Allied Bank Limited (ABL) | 17.5 | 542,059,047 | 581,670,032 |
| | Bank Al Habib Limited (BAH) | 17.6 | 510,000,000 | 510,000,000 |
| | National Bank of Pakistan (NBP) | 17.7 | 1,968,018,766 | 1,962,263,474 |
| | Bank Alfalah Limited (BAF) | 17.8 | 1,127,088,575 | 155,353,357 |
| | Soneri Bank Limited (SNBL) | 17.9 | 120,000,000 | - |
| | Askari Bank Limited (AKBL) | 17.10 | 35,205,300 | - |
| | ***Balance as at June 30,*** | | 6,796,596,833 | 5,663,117,322 |
| | Deferred Income - Government Grant | 17.8 | 18,290,584 | 14,940,418 |
| | | | **6,814,887,417** | **5,678,057,740** |
| | Less: current portion grouped under current liabilities: | | | |
| | - HBL | | 241,430,041 | 41,828,682 |
| | - MCB | | 49,990,794 | 20,553,400 |
| | - MBL | | 59,760,655 | 10,061,202 |
| | - UBL | | 65,635,011 | 30,114,371 |
| | - ABL | | 72,841,666 | 35,357,449 |
| | - BAH | | 63,750,000 | - |
| | - NBP | | 166,666,667 | - |
| | - BAF | | 243,789,891 | 35,444,739 |
| | Deferred Income - Government Grant | | 17,028,193 | 7,128,703 |
| | | 23 | 980,892,918 | 180,488,546 |
| | | | **5,833,994,499** | **5,497,569,194** |

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

| | No. of instalments and repayment commencement date | Rate of mark-up per annum | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***17.1 HBL*** | | | | |
| Demand Finance - IX | 24 quarterly February, 2017 | 1% Over 3 months KIBOR | 4,177,458 | 4,177,458 |
| Demand Finance - X | 28 quarterly March, 2019 | 0.75% over 3 months KIBOR | 785,714,284 | 785,714,284 |
| Demand Finance - XII | 32 quarterly July, 2021 | 0.50% over 3 months KIBOR | 41,472,000 | 149,088,791 |
| Demand Finance - XIII | 29 half-yearly August, 2023 | 0.75% over 3 months KIBOR | 79,179,136 | - |
| *State Bank of Pakistan - Export Oriented Projects* | | | | |
| - Finance No.7 | 24 quarterly March, 2017 | 5% flat | 3,849,104 | 4,234,015 |
| - Finance No.8 | 24 quarterly April, 2017 | 5% flat | 4,380,331 | 4,380,331 |
| - Finance No.9 | 24 quarterly September, 2017 | 3% flat | 15,178,800 | 16,443,700 |
| - Finance No.10 | 32 quarterly December, 2019 | 2.50% flat | 137,205,466 | 130,901,079 |
| - Finance No.11 | 32 quarterly December, 2019 | 2.50% flat | 397,118,010 | 397,118,010 |
| - Finance No.12 | 32 quarterly July, 2021 | 2.50% flat | 98,206,472 | - |
| | | | **1,566,481,061** | **1,492,057,668** |
| ***17.2 MCB*** | | | | |
| ***State Bank of Pakistan - Export Oriented Projects*** | | | | |
| Finance No.1 | 16 half-yearly April, 2019 | 2.75% flat | 336,917,368 | 357,474,733 |
| | | | **336,917,368** | **357,474,733** |

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

| | No. of instalments and repayment commencement date | Rate of mark-up per annum | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***17.3 MBL*** | | | | |
| Diminishing Musharakah - II | 12 half-yearly June, 2015 | 1 % over 6 months KIBOR | 2,171,010 | 4,342,019 |
| Diminishing Musharakah - III | 12 half-yearly July, 2015 | - do - | 6,865,910 | 6,865,910 |
| Diminishing Musharakah - IV | 12 half-yearly August, 2015 | - do - | 3,654,692 | 3,654,692 |
| Diminishing Musharakah - V | 12 half-yearly August, 2015 | - do - | 919,340 | 919,340 |
| Diminishing Musharakah - VI | 12 half-yearly September, 2015 | - do - | 4,637,566 | 4,637,566 |
| Diminishing Musharakah - VII | 12 half-yearly October, 2015 | - do - | 5,224,452 | 7,836,679 |
| Diminishing Musharakah - VIII | 12 half-yearly July, 2016 | - do - | 4,844,640 | 4,844,640 |
| Diminishing Musharakah - IX | 12 half-yearly July, 2016 | - do - | 23,834,200 | 23,834,200 |
| Diminishing Musharakah - X | 12 half-yearly August, 2016 | - do - | 15,612,800 | 15,612,800 |
| Diminishing Musharakah - XI | 12 half-yearly October, 2016 | - do - | 6,327,762 | 6,327,762 |
| Diminishing Musharakah - XII | 12 half-yearly November, 2016 | - do - | 11,438,115 | 14,297,644 |
| Diminishing Musharakah - XIII | 12 half-yearly December, 2016 | - do - | 3,345,979 | 4,182,474 |
| Diminishing Musharakah - XIV | 12 half-yearly January, 2017 | - do - | 5,010,000 | 5,010,000 |
| Diminishing Musharakah (IFRE) | 40 quarterly 18-August, 2022 | 5 % Flat | 150,000,000 | 119,049,587 |
| | | | **243,886,466** | **221,415,313** |
| ***17.4 UBL*** | | | | |
| ***State Bank of Pakistan - Export Oriented Projects*** | | | | |
| Finance No.17 | 16 quarterly November, 2017 | 5% flat | 18,750,013 | 31,250,011 |
| Finance No.18 | 16 half-yearly June, 2020 | 2.5% flat | 328,190,237 | 351,632,734 |
| | | | **346,940,250** | **382,882,745** |
| ***17.5 ABL*** | | | | |
| ***State Bank of Pakistan - Export Oriented Projects*** | | | | |
| Finance 1 | 16 half-yearly May, 2021 | 2.5% flat | 514,411,039 | 548,705,104 |
| Finance 2 | 39 quarterly May, 2021 | 2.5% flat | 27,648,008 | 32,964,928 |
| | | | **542,059,047** | **581,670,032** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | No. of instalments and repayment commencement date | Rate of mark-up per annum | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **17.6 BAH** | | | | |
| *State Bank of Pakistan - Export Oriented Projects* | | | | |
| Finance 1 | 16 equal quarterly September, 2020 | 2.45% flat | 510,000,000 | 510,000,000 |
| | | | **510,000,000** | **510,000,000** |
| **17.7 NBP** | | | | |
| Demand Finance | 12 half-yearly June, 2022 | 1.50% over 6 months KIBOR | 1,968,018,766 | 1,962,263,474 |
| | | | **1,968,018,766** | **1,962,263,474** |
| **17.8 BAF** | | | | |
| Payroll Refinance Scheme | 8 equal quarterly January, 2021 | 1.00% Flat | 372,594,495 | 155,353,357 |
| Term Finance | 32 equal quarterly March, 2023 | 2.00% over 6 months KIBOR | 222,092,719 | - |
| LTFF-SBP | 32 equal quarterly March, 2023 | 4.00% flat | 382,665,361 | - |
| LTFF- Solar Loan | 32 equal quarterly March, 2023 | 5.00% Flat | 149,736,000 | - |
| | | | **1,127,088,575** | **155,353,357** |
| **17.9 SNBL** | | | | |
| TF-Construction Loan | 20 equal quarterly December, 2023 | 0.80% over 3 months KIBOR | 120,000,000 | - |
| | | | **120,000,000** | **-** |
| **17.10 AKBL** | | | | |
| Demand Finance | 16 half-yearly December, 2023 | 2.00% over 6 months KIBOR | 35,205,300 | - |
| | | | **35,205,300** | **-** |

**17.11** The finance facilities available from HBL are secured against JPP Charge of Rs. 2,648 million on entire fixed assets on land consisting total area of 366 kanals and 13 marlas, 10.435 Acares or 70 Kanal and 3 Marlas building and plant & machinery on unit located at Multan Road, Muzaffargarh. D.G khan Road, Muzaffargarh, Chowk sarwar Shaheed and industrial estate Multan. During the year Rs. 98.206 million has been converted from DFF to LTFF

During the year company has obtained Long term finance facility of Rs. 800 million from HBL for the import of machinery for expansion in the spinning capacity out of which 79.179 million has been obtained as Demand finance. Tenor of this loan is upto 10 years inclusive 2 year as grace period and it is repayable in 29 half yearly installments commencing from August 2023. (Note 17.1).

This finance is secrued against ranking charge over Fixed assets with 25% margin (PKR 1,067 million).

**17.12** The demand finance facility available from MCB is secured against f JPP charge of Rs. 634 million on entire fixed assets on land consisting total area of 366 kanals and 13 marlas, 10.435 Acares or 70 Kanal 3 Marlas building and plant & machinery on unit located at Multan Road, Muzaffargarh, D.G khan Road, Muzaffargarh, Chowk Sarwar Shaheed and Industrial Estate Multan (Note 17.2).

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

***17.13*** Diminishing Musharakah finance facilities available from MBL are secured against exclusive registered charge over underlying plant & machinery and ranking charge over fixed assets of the Company with 25% safety margin. During the year the Company has further obtained Diminshing Musharaka under Islamic financing facility for renewable energy (IFRE) secrued against exlusive charge of Rs. 150 million over musharaka assets and JPP charge over all fixed assets (Note 17.3).

Exclusive Charge for Rs.150 Million over Musharaka Assets (Solar Power Plant of 2.2 MV) to be financed under SBP's IFRE scheme to be registered with SECP. For 25% margin Security.During the year 150 million has been converted from DF to LTFF.

***17.14*** The finance facilities available from UBL are secured against JPP charge of Rs. 613 million on entire fixed assets on land consisting total area of 366 kanals and 13 marlas, 10.435 Acres or 70 Kanal and 3 Marlas building and plant & machinery on unit located at Multan Road, Muzaffargarh, D.G khan Road, Muzaffargarh, Chowk Sarwar Shaheed and Industrial Estate Multan (Note 17.4).

***17.15*** The finance facilities available from ABL are secured against JPP charge over specific machinery imported through ABL to cover the principal amount of Rs. 776 million on entire fixed assets on land consisting total area of 366 kanals and 13 marlas, 10.435 Acares or 70 Kanal and 3 Marlas building and plant & machinery on units located at Multan Road, Muzaffargarh, D.G khan Road, Muzaffargarh, Chowk Sarwar Shaheed and Industrial Estate Multan (Note 17.5).

***17.16*** The finance facility available from BAH is secured against JPP charge of Rs.1,346.67 million on entire fixed assets on land consisting total area of 366 kanals and 13 marlas, 10.435 Acres or 70 Kanal and 3 Marlas building and plant & machinery on units located at Multan Road Muzaffargarh. D.G khan Road Muzaffargarh and Chowk Sarwar Shaheed and Industrial Estate Multan (Note 17.6).

***17.17*** During the previous year the Company has obtained long term finance facility from NBP amounting to Rs. 2,000 million. This finance is obtained for re-profiling of balance sheet. Tenor of loan is up to a maximum of 7 years with 2 year grace period.

This finance is secured against Ranking Charge by way of hypothecation over all present and future movable fixed assets of the Company with 25% margin and equitable mortgage through MOCTD over land and building of the Company.

The transaction cost amounting to Rs. 40.600 million has been adjusted against this finance and amortized over the tenor of the finance. During the year amortization of Rs. 5.755 million has been recognized (note 17.7).

***17.18*** During the previous year the Company has obtained long term finance of Rs. 170.293 million from Bank Alfalah Limited for financing of salaries and wages under SBP Refinance Scheme for payment of salaries and wages. The rate of markup on this loan is 1% per annum. This loan is for two and half years period and is repayable in eight equal quarterly installments commencing from January 2021. The facility available under the above arrangement amounted to Rs. 257.191 million of which the amount remained unutilized as at June 30, 2020 was Rs. 86.898 million.

During this year the Company has utilized the remaining facility of Rs. 86.898 million of salaries and wages and has obtained additional facility of Rs. 264.445 million for financing of salaries and wages under SBP Refinance scheme for payment of salaries and wages.The rate of markup on this loan is 1% per anum. This loans is for two and half years period and is repayable in eight equal quarterly installments commencing from January 2021.

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing. The Company has obtained the said finance at subsidized rate on July 17, 2020, at a concessional interest rate of 1% and is repayable by October 2022 in 8 quarterly installments.

During the year ended June 30, 2021, government grant amounting to Rs. 31.268 million (2020: 15.280 million) has been recognized and Rs. 27.919 million (2020: 0.339 million) has been amortized. In accordance with the terms of the grant, the Company is prohibited to lay-off the employees during July 2020 to June 2021.

This finance is secured against first JPP Charge over present and future fixed assets amounting to Rs. 420 million with a deferral of 180 days with ranking charge into 1st JPP to secure payroll of Rs. 315 million inclusive of 25% margin.

During the year the Company has obtained solar energy equipment loan amounting to Rs. 149.736 million from Bank Alfalah to finance purchase and installation of solar energy equipment .The rate of markup on this loan is SBP Rate + 2% per anum. This loan is for ten years period and is repayable in thirty two equal quartely installments commencing from March 2023. During the year this finance has been converted from DFF to LTFF.

During the year the Company has obtained Term Finance Loan amounting to Rs. 604.758 million from Bank Alfalah Limited to finance purchase and installation of machinery. This loan is for ten years period and is repayable in thirty two equal quarterly installments commencing from March 2023. During the year Rs. 382.665 miliion has been converted in from DFF to LTFF.

1st JPP Charge over present and Future Fixed Assets (land, Building, Machinery, of all units of the Company for amounting to Rs. 420 million. Upgradaion of ranking charge into 1st JPP to secure TF (payroll) including 25% Margin (Note 17.8).

***17.19*** During the year the Company has obtained Term finance loan amounting to Rs. 120 million from Soneri Bank Limited to finance construction or civil works of building of spinning units. This loan is for 6 years period inclusive of one year of grace period and it is repayable in 16 equal quarterly installments commencing from December 2023.

This finance is secured against 1st PP/JPP charge of Rs. 334 million over plant & machinery of the company with 25% margin (note 17.9)

***17.20*** During the year the Company has obtained Term Finance Loan amounting to Rs. 35.205 million from Askari Bank Limited to finance new imported / locally purchased plant & machinery. This loan is for ten years period and is repayable in 16 equal half yearly installments commencing from November 2023.

This finance is secured against1st PP/JPP Charge over present and Future Fixed Assets of the company with 25 % margin i-e Rs 667 million (Note 17.10).

***17.21*** The effective mark-up rates that prevailed during the year on these finance facilities ranged from 1% to 14.51% (2020: 1% to 15.08%) per annum.

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***18. LEASE LIABILITY*** | | | |
| Present value of minimum lease payments | | 15,098,902 | - |
| Less: Current portion shown under current liabilities | 23 | (2,412,009) | - |
| | | **12,686,893** | **-** |

***18.1*** The Company has entered into finance lease agreement with Bank Al-Habib Limited to acquire vehicles. Total Limit available during the year was Rs. 50 million.These are secured against title of the leased assets in the name of bank.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

The minimumlease payments have been discounted at implicitrate of 6 months kibor + 1%. Lease rentals are payable in equal monthly installments.

The amount of future minimumlease payments along with their present value and the period during which they will fall due are:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | ---- Rupees ---- | | ---- Rupees ---- | |
| Not later than one year | 3,972,298 | - | 2,412,009 | - |
| Later than one year and not later than five years | 14,424,877 | - | 12,686,893 | - |
| | 18,397,175 | - | 15,098,902 | - |
| Less: Future finance cost | (3,298,273) | - | - | - |
| Present value of minimum lease payments | **15,098,902** | **-** | **15,098,902** | **-** |

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| **19. DEFERRED LIABILITIES** | | | |
| Deferred Tax | 19.1 | 327,056,604 | 104,497,826 |
| Long term portion of GIDC | 19.2 | 60,777,946 | - |
| | | **387,834,550** | **104,497,826** |

### 19.1 DEFERRED TAXATION

| | Balance as at July 01, 2020 | Charged to statement of profit or loss | Charged to statement of other comprehensive income | Balance as at June 30, 2021 |
|---|---|---|---|---|
| | ----Rupees---- | | | |
| ***On taxable temporary differences*** | | | | |
| Long term investments | 104,497,826 | 218,208,778 | 4,350,000 | 327,056,604 |
| | **104,497,826** | **218,208,778** | **4,350,000** | **327,056,604** |

***Comparative June 30, 2020***

| | Balance as at July 01, 2019 | Charged to statement of profit or loss | Charged to statement of other comprehensive income | Balance as at June 30, 2020 |
|---|---|---|---|---|
| | ----Rupees---- | | | |
| ***On taxable temporary differences*** | | | | |
| Long term investments | 80,609,776 | 23,888,049 | - | 104,497,826 |
| | **80,609,776** | **23,888,049** | **-** | **104,497,826** |

***19.2*** During the year, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional. As per Supreme Court's Order on review petition, the Government has agreed to recover the GIDC in 48 equal monthly installments. The Company has followed the relevant accounting standards and ICAP guideline in these financial statements.

The Company has recorded the provision at its present value by discounting the future cash flows at average borrowing rate i.e. 8.10% per annum and has booked income of Rs.16.806 million which has been adjusted against cost of sales.

The current portion of provision for GIDC is presented under trade and other payable (refer note 20). Previously provision for GIDC was booked under accrued expenses.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **20.** | ***TRADE AND OTHER PAYABLES*** | | | |
| | Creditors | | 399,668,758 | 302,669,979 |
| | Bills payable - secured | 20.1 | 366,106,818 | 776,283,469 |
| | Due to an associated undertaking | 20.2 | 55,534,742 | 7,840,983 |
| | Accrued expenses | | 729,840,322 | 603,921,226 |
| | Contract liabilities - advances from customers | | 33,051,138 | 38,136,755 |
| | Tax deducted at source | | 24,977,825 | 19,794,291 |
| | Workers' (profit) participation fund | 31 | 76,210,678 | - |
| | Worker welfare fund | 31 | 28,960,058 | - |
| | Current portion of provision for GIDC | 19.2 | 43,959,477 | - |
| | Others | | 12,911,533 | 12,337,722 |
| | | | **1,771,221,349** | **1,760,984,425** |

***20.1*** These are secured against the securities as detailed in note 22.2.

***20.2*** This represents amount payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood on account of normal trading transactions.

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **21.** | ***ACCRUED MARK-UP*** | | | |
| | Mark-up accrued on: | | | |
| | - long term financing | | 89,925,333 | 124,097,104 |
| | - short term borrowings | | 179,254,931 | 169,408,806 |
| | - Interest on GIDC | | 5,671,555 | - |
| | | | **274,851,819** | **293,505,910** |
| **22.** | ***SHORT TERM BORROWINGS*** | | | |
| | Short term borrowings - secured | 22.1 | 3,426,937,206 | 2,329,434,181 |
| | Short term running finances - secured | 22.1 | 3,755,922,190 | 6,412,093,932 |
| | | | 7,182,859,396 | 8,741,528,113 |
| | Temporary bank overdrafts - unsecured | | 117,655,783 | 22,245,269 |
| | | | **7,300,515,179** | **8,763,773,382** |

***22.1*** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs. 15,650 million (June 30, 2020: Rs. 15,390 million) including facilities aggregating Rs. 300 million (June 30, 2020: Rs. 300 million) available on Group basis. These finance facilities, during the year, carried mark-up at the rates ranging from 7.66% to 8.54% (June 30, 2020: 9.08% to 15.56%) per annum. The aggregate finance facilities are secured against charge over the Company's current assets, pledge of quoted shares, lien over export bills and banks' lien over letters of credit. These facilities are expiring on various dates by March 31, 2022.

***22.2*** Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.15,090 million (June 30, 2020: Rs.12,929 million) including facilities aggregating Rs.1,600 million (June 30,2020: Rs.2,450 million) available on Group basis. Out of the available facilities, facilities aggregating Rs.10,404 million (June 30, 2020: Rs.10,767 million) remained unutilized at the year-end. These facilities are secured against lien over import documents and charge over current assets of the Company. These facilities are expiring on various dates by March 31, 2022 unutilized at the year-end. These facilities are secured against lien over import documents and charge over current assets of the Company. These facilities are expiring on various dates by March 31, 2022

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **23.** | ***CURRENT MATURITY OF LONG TERM LIABILITIES*** | | | |
| | Long term financing | 17 | 980,892,918 | 180,488,546 |
| | Lease liability | 18 | 2,412,009 | - |
| | | | **983,304,927** | **180,488,546** |
| **24.** | ***TAXATION*** *- Net* | | | |
| | Opening balance | | 262,000,000 | 231,000,000 |
| | Add: provision made during the year: | | | |
| | - current | | 320,000,000 | 262,000,000 |
| | - prior years - net | | (3,516,630) | (55,337,289) |
| | *Tax expense for the year - net* | | 316,483,370 | 206,662,711 |
| | | | 578,483,370 | 437,662,711 |
| | Less: payments / adjustments made during the year against completed assessments | | 258,483,370 | 175,662,711 |
| | | | **320,000,000** | **262,000,000** |

**25.** ***CONTINGENCIES AND COMMITMENTS***

*25.1* Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs. 795.947 million as at June 30, 2020 (2020: Rs. 783.858 million).

*25.2* Sui Northern Gas Pipelines Limited (SNGPL) had raised arrears demand aggregating Rs.75.221 million from the Company against the charge that sui gas meter of the Company was not working properly. The Company challenged the said demand by filing a petition before the General Manager SNGPL, Lahore (the GM). Now the case has been referred to Gas Utility Court ("the Court") as per the requirement of Gas (Theft control and Recovery) Act, 2016 and as per direction of the Court, the Company has deposited Rs. 75.221 million under protest and grouped it under loans and advances (note 11). If the case is decided in the Company's favour, the Company will receive back the demand paid under protest.

*25.3* The Company has filed a petition before the Civil Court, Multan against SNGPL, which has alleged that the Company's gas meter was not functioning properly during the period from May, 2012 to September, 2013. SNGPL has raised demand amounting Rs.1.101 million. The Company's petition is pending adjudication.

*25.4* The Company had challenged the imposition of infrastructure cess by the Directorate of Excise & Taxation, Karachi (the Directorate) at the rate of 0.85% of the value of imported goods by filing a suit before the High Court of Sindh at Karachi (the Court). The Court had directed the Company to furnish a bank guarantee covering the disputed amount of cess. The Company, during the period from December 28, 2006 to May 30, 2011, had utilized bank guarantees to the tune of Rs.32.489 million. The Directorate, vide its letter dated July 13, 2011, had requested the Company to furnish a bank guarantee of 50% of the aforementioned amount along with a demand draft for the balance 50% of the aforementioned amount in order to return of the previous bank guarantees.

The Company had submitted a bank draft amounting Rs.16.245 million to the Directorate during September, 2011, which was grouped under loans and advances. Habib Bank Limited, on behalf of the Company in consideration of allowing the release of consignments imported from time to time for the purpose of carriage of goods by road within the province of Sindh, has undertaken and guaranteed to pay an amount of Rs.16.245 million to the Directorate in case if the Court decides that the cess imposed under the Sindh Finance Act, 1994 is lawful and validly imposed. The bank guarantee is valid upto August 15, 2019. The management, during year ended June 30, 2013, had expensed the advance of Rs.16.245 million.

***25.5*** Foreign and local bills discounted outstanding as at June 30, 2021 aggregated Rs.2,146.383 million (2020: Rs. 260.727 million) and Rs. 262.466 million (2020: 168.462 million).

| | 2021 | 2020 |
|---|---|---|
| | (Rupees in million) | |
| ***25.6*** Commitments for irrevocable letters of credit: | | |
| - capital expenditure | 2,569.967 | 3.939 |
| - others | 1,319.678 | 1,374.141 |
| | **3,889.645** | 1,378.080 |

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| ***26. SALES - Net*** | | | |
| ***Export*** | | | |
| - yarn | | 16,055,955,520 | 13,981,381,938 |
| - cloth | | 6,472,963,355 | 7,535,685,393 |
| - waste | | 70,500,248 | 285,451,486 |
| | 26.1 | 22,599,419,123 | 21,802,518,817 |
| ***Local*** | | | |
| - yarn | | 3,495,375,014 | 2,976,642,730 |
| - cloth | | 2,646,016,707 | 433,162,710 |
| - waste | | 857,441,022 | 645,942,282 |
| - doubling / sizing income | | 9,635,681 | 13,160,797 |
| - cotton | | 1,283,384,602 | 998,452,998 |
| | | 8,291,853,026 | 5,067,361,517 |
| | | 30,891,272,149 | 26,869,880,334 |
| Sales tax | | (2,956,774,370) | (2,404,692,040) |
| | | **27,934,497,779** | **24,465,188,294** |

***26.1*** Gain aggregating Rs. 8.144 million - net (2020: Rs. 69.912 million - net) arisen upon realization of foreign currency export debtors has been grouped under export sales.

# Notes To The Financial Statements

***FOR THE YEAR ENDED JUNE 30, 2021***

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***27.*** | ***COST OF SALES*** | | | |
| | Raw materials consumed | 27.1 | 19,630,086,917 | 18,540,515,687 |
| | Stores and spares consumed | | 472,312,201 | 401,407,282 |
| | Packing materials consumed | | 248,975,414 | 215,137,609 |
| | Salaries, wages and benefits | 27.2 | 1,406,987,926 | 1,274,200,925 |
| | Power and fuel | | 1,329,971,252 | 1,451,112,640 |
| | Repair and maintenance | | 52,821,107 | 27,145,538 |
| | Depreciation | 5.8 | 689,267,913 | 747,220,966 |
| | Insurance | | 77,062,134 | 71,463,048 |
| | Doubling charges | | 25,616,323 | 34,501,986 |
| | | | 23,933,101,187 | 22,762,705,681 |
| | Adjustment of work-in-process | | | |
| | Opening stock | | 180,673,772 | 179,399,733 |
| | Closing stock | 9 | (215,687,450) | (180,673,772) |
| | | | (35,013,678) | (1,274,039) |
| | ***Cost of goods manufactured*** | | 23,898,087,509 | 22,761,431,642 |
| | Adjustment of finished goods | | | |
| | Opening stock | | 1,198,225,904 | 788,449,202 |
| | Closing stock | 9 | (974,871,592) | (1,198,225,904) |
| | | | 223,354,312 | (409,776,702) |
| | | | **24,121,441,821** | **22,351,654,940** |
| ***27.1*** | ***Raw materials consumed*** | | | |
| | Opening stock | | 5,680,317,258 | 6,625,648,828 |
| | Purchases and purchase expenses | | 20,570,967,536 | 17,583,319,234 |
| | | | 26,251,284,794 | 24,208,968,062 |
| | Closing stock | 9 | (6,629,381,592) | (5,680,317,258) |
| | | | 19,621,903,202 | 18,528,650,804 |
| | Cotton cess | | 8,183,715 | 11,864,883 |
| | | | **19,630,086,917** | **18,540,515,687** |

***27.2*** Expense for the year includes staff retirement benefits - gratuity amounting Rs. 96.231 million (2020: Rs. 46.746 million).

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***28.*** | ***DISTRIBUTION COST*** | | | |
| | Advertisement | | 125,442 | 444,488 |
| | Export expenses | | 265,755,253 | 230,338,819 |
| | Commission | | 294,594,296 | 191,456,546 |
| | Export development surcharge | | 30,702,267 | 25,103,914 |
| | Freight and other expenses | | 112,097,030 | 109,673,087 |
| | | | **703,274,288** | **557,016,854** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **29.** | ***ADMINISTRATIVE EXPENSES*** | | | |
| | Salaries and benefits | 29.1 | 274,530,745 | 214,496,677 |
| | Travelling and conveyance | 29.2 | 50,443,137 | 76,900,142 |
| | Rent, rates and taxes | | 3,951,329 | 3,420,593 |
| | Entertainment | | 48,374,246 | 27,364,196 |
| | Utilities | | 6,066,982 | 3,946,303 |
| | Communication | | 25,334,796 | 20,205,867 |
| | Printing and stationery | | 15,730,899 | 12,533,207 |
| | Insurance | | 7,165,109 | 3,449,108 |
| | Repair and maintenance | | 46,172,249 | 27,448,184 |
| | Vehicles' running and maintenance | | 20,306,931 | 14,989,152 |
| | Subscription and licensing fees | | 24,239,683 | 16,768,467 |
| | Auditors' remuneration: | | | |
| | - statutory audit | | 1,000,000 | 1,000,000 |
| | - special purpose audit | | 700,000 | - |
| | - half yearly review | | 181,500 | 140,000 |
| | - certification charges | | 31,500 | 123,200 |
| | | | 1,913,000 | 1,263,200 |
| | Legal and professional charges (other than Auditors) | | 8,257,202 | 2,109,680 |
| | Depreciation | 5.8 | 43,806,069 | 35,636,816 |
| | General | | 31,946,168 | 16,558,282 |
| | | | **608,238,545** | **477,089,874** |

***29.1*** Expense for the year includes staff retirement benefits - gratuity amounting Rs. 21.158 million (2020: Rs. 8.954 million).

***29.2*** These include directors' travelling expenses aggregating Rs. 34.630 million (2020: Rs. 56.354 million).

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **30.** | ***OTHER INCOME*** | | | |
| | ***Income from financial assets*** | | | |
| | Dividends | | 127,164,596 | - |
| | Mark up on TFC's | | 13,309,513 | 25,582,722 |
| | Realized gain on sale of short term investments at fair value through profit or loss - net | | - | 119,793,622 |
| | Unrealized gain on re-measurement of short term investments at fair value through profit or loss | 13 | - | 19,348,437 |
| | Exchange fluctuation gain - net | | 2,519,634 | - |
| | Fair value gain on long term investment | 6.2 | 192,728,029 | - |
| | Government grant | 17.2 | 27,918,719 | 339,390 |
| | ***Income from non-financial assets*** | | | |
| | Duty drawback on export sales | | 759,183 | 21,154,959 |
| | Gain on disposal of operating fixed assets - net | 5.7 | 1,934,091 | 785,225 |
| | Workers' welfare fund | 30.1 | - | 39,155,252 |
| | | | **366,333,766** | **226,159,607** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

***30.1*** During previous year the Company had reversed the excess provision of WWF relating to prior years after the finalization of orders from FBR for deletion of demands for relevant years.

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***31.*** | ***OTHER EXPENSES*** | | | |
| | Donations (without directors' interest) | 31.1 | 26,442,403 | 10,775,204 |
| | Exchange fluctuation loss - net | | - | 14,453,570 |
| | Realized loss on sale of short term investments at fair value through profit or loss - net | | 26,926,529 | - |
| | Unrealized loss on re-measurement of short term investments at fair value through profit or loss | 13 | 3,551,581 | - |
| | Worker's Profit Participation fund | 20 | 76,210,678 | - |
| | Worker welfare fund | 20 | 28,960,058 | - |
| | | | **162,091,249** | **25,228,774** |

***31.1*** During the year, the Company has made donations exceeding higher of 10% of total donations or Rs. 1,000,000/- to following:

| | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|
| Punjab Social Security Health Management Company (PSSHMC) | | 5,224,474 | 2,443,444 |
| Chaudhry Parvaiz Elahi Institute of Cardiology (CPEIC) | | 1,048,000 | 1,200,000 |
| Minar Welfare Society | | 2,400,000 | - |
| Care High School Foundation | | 2,100,000 | 2,100,000 |
| Prime Minister Relief fund (COVID-19) | | - | 2,500,000 |
| | | **10,772,474** | **8,243,444** |

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| ***32.*** | ***FINANCE COST** - Net* | | | |
| | Mark-up on: | | | |
| | - long term financing | | 358,221,927 | 386,438,604 |
| | - short term borrowings | | 796,076,001 | 894,371,972 |
| | - lease liabilities | | 482,871 | - |
| | Interest on GIDC | | 5,671,555 | - |
| | Bank charges, commission | | 97,330,399 | 245,773,341 |
| | | | **1,257,782,753** | **1,526,583,917** |
| ***33.*** | ***TAXATION*** | | | |
| | Current | | 320,000,000 | 262,000,000 |
| | Deferred | 19.1 | 218,208,778 | 23,888,049 |
| | | | 538,208,778 | 285,888,049 |
| | Prior year adjustment | | (3,516,630) | (55,337,289) |
| | | | **534,692,148** | **230,550,760** |

***33.1*** Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under Section 120 of Income Tax Ordinance, 2001 (the Ordinance) upto the financial year ended June 30, 2020 (tax year 2020).

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

*33.2* No numeric tax rate reconciliation is presented in these financial statements as the Company is only liable to pay tax due under sections 5 (Tax on dividends), 37 A (Tax on capital gain on disposal of securities), 113 (Minimum tax on the income of certain persons) and 154 (Tax on export proceeds) of the Ordinance.

### 34. EARNINGS PER SHARE

There is no dilutive effect on earnings per share of the Company, which is based on:

| | | 2021 | 2020 |
|---|---|---|---|
| Profit after taxation attributable to ordinary shareholders | *Rupees* | **1,340,603,337** | 71,814,525 |
| Weighted average number of ordinary shares in issue during the year | *Number* | **18,750,000** | 18,750,000 |
| Earnings per share - basic | *Rupees* | **71.50** | 3.83 |

### 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Opening | Non-cash changes | Cash flows | Closing |
|---|---|---|---|---|
| | -------------------- Rupees -------------------- | | | |
| ***2021*** | | | | |
| Long term financing | 5,678,057,740 | (27,918,719) | 1,164,748,396 | 6,814,887,417 |
| Lease liabilities | - | - | 15,098,902 | 15,098,902 |
| Unclaimed dividend | 2,438,530 | - | (52,700) | 2,385,830 |
| Short term borrowings | 8,763,773,382 | - | (1,463,258,203) | 7,300,515,179 |
| ***2020*** | | | | |
| Long term financing | 3,783,816,358 | - | 1,894,241,382 | 5,678,057,740 |
| Unclaimed dividend | 2,472,353 | - | (33,823) | 2,438,530 |
| Short term borrowings | 10,863,086,159 | - | (2,099,312,777) | 8,763,773,382 |

### 36. SEGMENT INFORMATION

Based on internal management reporting structure and products being produced and sold, the Company has been organized into two operating segments i.e. spinning and weaving.

Information regarding the Company's reportable segments is presented below:

***Segment analysis***

| | Spinning | Weaving | Total |
|---|---|---|---|
| | ------------------- Rupees ------------------- | | |
| ***Year ended June 30, 2021*** | | | |
| ***Revenue*** | 20,441,194,141 | 7,493,303,638 | **27,934,497,779** |
| ***Segment results*** | 1,272,208,850 | 1,229,334,275 | **2,501,543,125** |
| Year ended June 30, 2020 | | | |
| Revenue | 17,327,126,433 | 7,138,061,861 | **24,465,188,294** |
| Segment results | (1,076,013,673) | 2,155,440,299 | **1,079,426,626** |

***Reconciliation of segment results with profit from operations:***

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Total results for reportable segments | 2,501,543,125 | 1,079,426,626 |
| Other income | 366,333,766 | 226,159,607 |
| Other expenses | (162,091,249) | (25,228,774) |
| Finance cost | (1,257,782,753) | (1,526,583,917) |
| Profit from Associates | 427,292,596 | 548,591,744 |
| ***Profit before taxation*** | **1,875,295,485** | **302,365,286** |

***Information on assets and liabilities by segment is as follows:***

| | Spinning | Weaving | Total |
|---|---|---|---|
| | ---------------------- Rupees ---------------------- | | |
| *As at June 30, 2021* | | | |
| ***Segment assets*** | 16,628,508,231 | 4,360,879,776 | **20,989,388,007** |
| ***Segment liabilities*** | 10,797,774,611 | 5,300,184,985 | **16,097,959,596** |
| As at June 30, 2020 | | | |
| Segment assets | 15,072,090,890 | 4,811,885,493 | 19,883,976,383 |
| Segment liabilities | 15,284,470,652 | 1,211,850,805 | 16,496,321,457 |

***Reconciliation of segment assets and liabilities with totals in the Statement of financial position is as follows:***

| | As at June 30, 2021 | | As at June 30, 2020 | |
|---|---|---|---|---|
| | *Assets* | *Liabilities* | *Assets* | *Liabilities* |
| | --------------------------------- Rupees --------------------------------- | | | |
| Total for reportable segments | 20,989,388,007 | 16,097,959,596 | 19,883,976,383 | 16,496,321,457 |
| Unallocated assets / liabilities | 5,835,373,419 | 788,835,450 | 5,563,942,108 | 368,936,356 |
| Total as per statement of financial position | **26,824,761,426** | **16,886,795,046** | **25,447,918,491** | **16,865,257,813** |

Sales to domestic customers in Pakistan are 19.10% (2020: 19.04%) and to customers outside Pakistan are 80.90% (2020: 80.96%) of the revenues during the year.

The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

***Geographical Segments***

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

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

#### *37.1 Financial Risk Factors*

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

### *37.2 Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

#### *(a) Currency risk*

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery, stores & spares and export of goods mainly denominated in U.S. $, Euro, Japanese Yen (JPY), Swiss Franc (CHF) and Chines Yuan (CNY) and British (GBP). The Company's exposure to foreign currency risk for U.S. $, Euro, JPY, CHF and CNY is as follows:

| *2021* | Rupees | U.S.$ | Euro | JPY | CHF | CNY | GBP |
|---|---|---|---|---|---|---|---|
| Trade debts | (506,846,051) | (3,785,737) | (124,186) | - | - | - | |
| Bills payable | 366,106,818 | 3,088,854 | 574,037 | - | - | - | |
| Gross statement of financial position exposure | (140,739,233) | (696,883) | 449,851 | - | - | - | - |
| Outstanding letters of credit | 3,523,538,182 | 11,729,207 | 6,174,632 | 91,847,743 | 3,974,834 | - | 13,442 |
| Net exposure | **3,382,798,949** | **11,032,324** | **6,624,483** | **91,847,743** | **3,974,834** | **-** | **13,442** |
| *2020* | | | | | | | |
| Trade debts | (1,565,403,391) | (9,977,171) | (57,077) | - | - | (2,492,890) | - |
| Bills payable | 776,283,469 | 4,631,763 | - | - | - | - | - |
| Gross statement of financial position exposure | (789,119,922) | (5,345,408) | (57,077) | - | - | (2,492,890) | - |
| Outstanding letters of credit | 601,796,531 | 3,590,666 | - | - | - | - | - |
| Net exposure | **(187,323,391)** | **(1,754,742)** | **(57,077)** | **-** | **-** | **(2,492,890)** | **-** |

The following significant exchange rates have been applied:

| | *Average rate* | | *Reporting date rate* | |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| U.S. $ to Rupee | 159.76 | 158.63 | 157.10 / 157.60 | 167.60 / 168.10 |
| Euro to Rupee | 190.97 | 175.45 | 186.95 / 187.54 | 188.91 / 188.35 |
| JPY to Rupee | 1.50 | 1.47 | 1.42 | 1.56 |
| CHF to Rupee | 175.64 | 162.58 | 170.49 | - |
| CNY to Rupee | 24.20 | 22.53 | - | 23.71 |
| GBP to Rupee | - | - | 217.56 | - |

*Sensitivity analysis*

At June 30, 2021, if Rupee had strengthened by 10% against U.S.$, Euro, JPY, CHF CNY and GBP with all other variables held constant, profit before taxation for the year would have been lower by the amount shown below mainly as a result of foreign exchange losses on translation of foreign currency financial assets, whereas profit before taxation for the year would have been higher by the amount shown below mainly as a result of foreign exchange gain on translation of foreign currency financial liabilities.

***Effect on profit for the year:***

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| U.S.$ to Rupee | (11,679,759) | (89,589,035) |
| Euro to Rupee | 8,472,494 | (1,074,984) |
| CNY to Rupee | - | (5,910,642) |

The weakening of Rupee against U.S. $, Euro, JPY, CHF and CNY would have had an equal but opposite impact on profit before taxation.

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

**(b) *Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

| | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| | Effective mark-up rate | | Carrying amount -------- (Rupees) -------- | |
| | % | % | | |
| ***Fixed rate instruments*** | | | | |
| ***Financial assets*** | | | | |
| Bank balances at saving accounts | 4% to 5% | 4% to 6% | **133,838** | 128,307 |

| | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| | ***Effective mark-up rate*** | | ***Carrying amount -------- (Rupees) --------*** | |
| | % | % | | |
| ***Variable rate instruments*** | | | | |
| ***Financial liabilities*** | | | | |
| Long term financing | 1% to 14.51% | 1% to 15.08% | **6,796,596,833** | 5,663,117,322 |
| Lease liabilities | 8.35% to 8.77% | - | **15,098,902** | - |
| Short term borrowings | 7.66% to 8.54% | 9.08% to 15.56% | **7,182,859,396** | 8,741,528,113 |

***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***

At June 30, 2021, if interest rate on variable rate financial liabilities had been 1% higher/ lower with all other variables held constant, profit before taxation for the year would have been Rs.139.946 million (2020: Rs.131.230 million) lower / higher, mainly as a result of higher/ lower interest expense on variable rate financial liabilities.

**(c) *Price risk***

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market. Company's short term investments may be subject to price risk.

### *37.3 Credit risk exposure and concentration of credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to customers from any single country or single customer.

The trade debts are due from foreign and local customers for export and local sales respectively. Trade debts from foreign customers are secured against letters of credit. Management assesses the credit quality of local and foreign customers, taking into account their financial position, past experience and other factors. For bank balances, financial institutions with strong credit ratings are accepted. Credit risk on bank balances is limited as these are placed with banks having good credit ratings.

### *37.3.1 Exposure to credit risk*

The maximum exposure to credit risk as at June 30, 2021 along with comparative is tabulated

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Long term deposits | 25,015,991 | 9,980,881 |
| Trade debts | 2,649,519,841 | 3,102,628,027 |
| Loans and advances | 16,458,018 | 6,690,073 |
| Other receivables | 299,368,361 | 715,604,921 |
| Short term investments | 310,890,723 | 725,341,435 |
| Bank balances | 90,908,066 | 39,209,268 |
| | **3,392,161,000** | **4,599,454,605** |

### *37.3.2 Trade debts exposure by geographic region*

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Domestic | 2,142,673,790 | 1,537,224,636 |
| Export | 506,846,051 | 1,565,403,391 |
| | **2,649,519,841** | **3,102,628,027** |

The majority of export debts of the Company are situated in Asia and Europe.

The ageing of trade debts at the year-end was as follows:

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Not past due | 2,315,589,474 | 2,754,011,718 |
| Past due less than 3 months | 318,124,533 | 330,545,320 |
| Past due less than 6 months | 9,735,807 | 10,268,479 |
| Past due more than 6 months | 6,070,027 | 7,802,510 |
| | **2,649,519,841** | **3,102,628,027** |

The Company always measures the loss allowance for trade debts at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on local trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

***Credit rating***

The credit ratings of the banks in which the Company has maintained its deposits are as follows:

| | Rating Agency | Credit Rating | | Date of Rating |
|---|---|---|---|---|
| | | ***Short Term*** | ***Long Term*** | |
| Bank Alfalah Limited | PACRA | A1+ | AA+ | June/21 |
| Bank Al-Habib Limited | PACRA | A1+ | AAA | June/21 |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ | June/21 |
| Habib Bank Limited | JCR-VIS | A1+ | AAA | June/21 |
| MCB Bank Limited | PACRA | A1+ | AAA | June/21 |
| National Bank of Pakistan | JCR-VIS | A1+ | AAA | June/21 |
| Soneri Bank Limited | PACRA | A1+ | AA- | June/21 |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | AAA | June/21 |
| The Bank of Punjab | PACRA | A1+ | AA+ | June/21 |
| United Bank Limited | JCR-VIS | A1+ | AAA | June/21 |
| Askari Bank Limited | PACRA | A1+ | AA+ | June/21 |

### *37.4 Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|---|
| | ------ Rupees ------ | | | | |
| 2021 | | | | | |
| Long term financing | 6,796,596,833 | 8,192,708,769 | 1,007,604,410 | 5,707,491,009 | 1,477,613,350 |
| Lease liabilities | 15,098,902 | 18,397,174 | 3,972,298 | 14,424,877 | - |
| Short term borrowings | 7,300,515,179 | 7,300,515,179 | 7,300,515,179 | - | - |
| Trade and other payables | 1,622,091,136 | 1,622,091,136 | 1,622,091,136 | - | - |
| Unclaimed dividend | 2,385,830 | 2,385,830 | 2,385,830 | - | - |
| Accrued mark-up | 274,851,819 | 274,851,819 | 274,851,819 | - | - |
| | **16,011,539,699** | **17,410,949,908** | **10,211,420,672** | **5,721,915,886** | **1,477,613,350** |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | Carrying amount | Contractual cash flows | Less than 1 year | Between 1 to 5 years | 5 years and above |
|---|---|---|---|---|---|
| | ------ Rupees ------ | | | | |
| ***2020*** | | | | | |
| Long term financing | 5,663,117,322 | 6,166,540,861 | 188,512,515 | 4,718,172,366 | 1,259,855,980 |
| Short term borrowings | 8,763,773,382 | 8,763,773,382 | 8,763,773,382 | - | - |
| Trade and other payables | 1,760,984,425 | 1,760,984,425 | 1,760,984,425 | - | - |
| Unclaimed dividend | 2,438,530 | 2,438,530 | 2,438,530 | - | - |
| Accrued mark-up | 293,505,910 | 293,505,910 | 293,505,910 | - | - |
| | **16,483,819,569** | **16,987,243,108** | **11,009,214,762** | **4,718,172,366** | **1,259,855,980** |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

### *37.5 Fair value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At June 30, 2021, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

## *38. FAIR VALUE MEASUREMENTS*

The Company measures fair value using valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

***Level 2:*** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

***Level 3:*** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

| | *June 30, 2021* | | | *June 30, 2020* | | |
|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Level 1* | *Level 2* | *Level 3* |
| | ------ Rupees ------ | | | | | |
| Property, plant and equipment | - | 3,428,875,084 | - | - | 3,620,728,721 | - |
| Long term investment - FVTOCI | - | - | 1,040,000,000 | - | - | - |
| Short term investments | 310,890,723 | - | - | 725,341,435 | - | - |

## *39. CAPITAL RISK MANAGEMENT*

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, 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 shareholders and / or issue new shares.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

The debt-to-equity ratios as at June 30, were as follows:

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| Total debt | 14,130,501,498 | 14,441,831,122 |
| Total equity | 9,937,966,380 | 8,582,660,678 |
| Debt-to-equity ratio | 1.42 | 1.68 |

There was no change in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity and current ratios under the financing agreements.

### 40. REMUNERATION OF DIRECTOR AND EXECUTIVES

| | Director | | Executives | |
|---|---|---|---|---|
| | 2021 Rupees | 2020 Rupees | 2021 Rupees | 2020 Rupees |
| Managerial remuneration | 9,600,000 | 9,600,000 | 40,603,002 | 37,381,044 |
| Bonus | - | - | 3,141,950 | - |
| Retirement benefits - gratuity | - | - | 3,906,215 | 3,115,087 |
| Other perquisites and benefits | - | - | 5,071,540 | 1,453,707 |
| | **9,600,000** | **9,600,000** | **52,722,707** | **41,949,838** |
| Number of persons | **1** | 1 | **18** | 15 |

**40.1** The chief executive, all directors and some of the executives have been provided with the Company's maintained cars, residential and cell phones.

### 41. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated companies and an undertaking, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties and remuneration of key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with associated companies and an undertaking during the year were as follows:

| | 2021 Rupees | 2020 Rupees |
|---|---|---|
| - Sale of goods | 1,497,073,594 | 1,904,370,799 |
| - Sale of shares | 624,222,812 | - |
| - Purchase of goods | 1,118,360,035 | 1,816,576,934 |
| - Doubling charges | 601,815 | 4,227,818 |
| - Doubling revenue | 6,968,586 | 13,160,794 |
| - Dividend income | 218,340,469 | 174,671,396 |
| - Sale of vehicles to director (Refer note 7.7) | 805,000 | 6,350,000 |
| - Purchase of vehicles | 4,050,000 | - |

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

Followingare the related parties with whom the Company had entered intotransactions or have arrangement / agreement in place:

| Sr. | Name | Basis of relationship |
|---|---|---|
| 1 | Masood Spinning Mills Limited | Common directorship / 13.32% shareholding |
| 2 | Masood Fabrics Limited | Common directorship (till April, 2021) |
| 3 | Roomi Fabrics Limited | Common directorship (till April, 2021) / 18.18% shareholding |
| 4 | Multan Fabrics (Private) Limited | Common directorship |
| 5 | Roomi Enterprises (Private) Limited | Common directorship |
| 6 | M/S Khawaja Muzaffar Mahmood Muhammad Masood | Common directorship |
| 7 | Orient Power Company (Private) Limited | 20.967% shareholding |

## 42. *CAPACITY AND PRODUCTION*

| | | 2021 | 2020 |
|---|---|---|---|
| ***Yarn*** | | | |
| Number of spindles installed | | 115,920 | 115,920 |
| Number of spindles-shifts worked | | 119,037,269 | 116,482,122 |
| Production capacity at 20's count 1,095 shifts (2019: 1,096 shifts) | ***Kgs.*** | 40,851,780 | 45,022,045 |
| Actual production converted into 20's count | ***Kgs.*** | 39,953,018 | 39,415,329 |
| ***Cloth*** | | | |
| Number of looms installed | | 196 | 196 |
| Number of looms-shifts worked | | 214,221 | 214,728 |
| Installed capacity at 60 picks 1,095 shifts (2020: 1,096 shifts) | ***Mtrs.*** | 36,747,990 | 45,358,665 |
| Actual production converted into 60 picks | ***Mtrs.*** | 36,595,469 | 41,649,895 |
| ***Power House*** | | | |
| Number of generators installed | | 10 | 10 |
| Number of shifts worked | | 1,095 | 1,096 |
| Generation capacity in Mega Watts | | 20.45 | 20.25 |
| Actual generation in Mega Watts | | 8.70 | 15.15 |

It is difficult to describe precisely the production capacity in spinning / weaving mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist, the width and construction of fabric woven, etc. It also varies according to the pattern of production adopted in a particular year.

# Notes To The Financial Statements

*FOR THE YEAR ENDED JUNE 30, 2021*

| | 2021 | 2020 |
|---|---|---|
| | ------ Numbers ------ | |
| **43. NUMBER OF EMPLOYEES** | | |
| Number of persons employed as at June 30, | | |
| - permanent | 3,000 | 2,947 |
| - contractual | 150 | 96 |
| Average number of employees during the year | | |
| - permanent | 2,990 | 2,941 |
| - contractual | 170 | 120 |

### 44. IMPACT OF COVID-19

The Government of Pakistan took various precautionary measures to combat the impact of COVID - 19 including smart lock down on industries and measures for the revival of the economy including deferment of loan payments for one year with reduction in policy rates. The Company has availed these facilities which helped to ease the cash flows of the Company and to resume operational activities smoothly.

Due to the impact of COVID - 19 the regional textile markets such as India and Bangladesh were closed and global attention was diverted towards Pakistan. Government decision to impose smart lockdown gave Pakistan considerable edge compared to other countries.

Despite all of the above facts the textile industry in general and the Company in particular has witnessed a remarkable growth. This extraordinary performance of the textile industry is because of supporting policies of the Government.

The Company is committed to help out deserving people for education, health and social uplift and has participated in welfare activities with special emphasis on children education, clean drinking water projects and is determined to ensure safety of its employees by facilitating provision of COVID - 19 vaccination of its employees.

### 45. RE-CLASSIFICATION

The following comparative figure has been re-classified within "Loans and advances" during the year for better presentation:

| *Previous classification* | *Current classification* | *Rupees* |
|---|---|---|
| Deposit with Sui Northern Gas Pipelines Ltd. | Advances to suppliers and contractors | 2,968,758 |

### 46. EVENT AFTER THE REPORTING DATE

The Board of Directors in its meeting held on November 06, 2021 has proposed 100% cash dividend (2020: nil) for the year ended June 30, 2021.

### 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6th November, 2021 by the board of directors of the Company.

### 48. FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary.

| sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|
| **Kh. Muhammad Ilyas** | **Kh. Muhammad Iqbal** | **Kh. Muhammad Younus** | **Muhammad Amin Pal** |
| Chairman | Chief Executive Officer | Director | Chief financial Officer |

# Form of Proxy

I/We ______________________________________________

of ______________________________________________

being a member(s) of Mahmood Textile Mills Limited hold ______________________________

Ordinary Shares hereby appoint Mr. / Mrs. / Miss ______________________________

of ______________________ or falling him / her ______________________________

of ______________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 51st Annual General Meeting of the Company to be held on Saturday, November 27, 2021 at Company's Registered Office, Mehr Manzil Lohari Gate, Multan. and / or any adjournment thereof.

As witness my/our hand/seal this ______________________ day of ______________ 2021.

Signature of Member ______________________

in the presence of

Signatures ______________________ Signatures ______________________

Name ______________________ Name ______________________

Adress ______________________ Address ______________________

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

Signature on Revenue Stamp

The Signature should agree with the specimen registered with the Company

**Notes:**

1. Proxies, in order to be effective, must be received at the Company's Registered Office Mehr Manzil, Lohari Gate, Multan not later than 48 hours before the time for the meeting and must be duly stamped, signed and witnessed.

2. Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her CNIC or Passport, to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.

In addition to the above the following requirements have to be met.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

# پراکسی فارم

میں / ہم ----------------------------------------------------------------------------------------------------

ساکن ------------------------------------------------------------ بطور ممبر (ز) محمود ٹیکسٹائل ملز لمیٹڈ

حامل ----------------------- عام حصص، محترم / محترمہ ------------------------------------------------------

ساکن ------------------------------------------ یا ان کے حاضر نہ ہو سکنے کی صورت میں ---------------------------------

ساکن ---------------------------------------------------------------------- کو اپنے / ہمارے ایماء پر کمپنی کے مورخہ 27 نومبر 2021ء بروز

ہفتہ 11.00 بجے کمپنی کے رجسٹرڈ آفس مہر منزل، لوہاری گیٹ، ملتان میں ہونے والے 51 واں سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا / ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

**ممبر کے دستخط**

**گواہ کے دستخط**

نام ..............................................................

CNIC / پاسپورٹ نمبر ..............................................

ایڈریس ..........................................................

**گواہ کے دستخط**

نام ..............................................................

CNIC / پاسپورٹ نمبر ..............................................

ایڈریس ..........................................................

| فولیو نمبر | سی ڈی سی اکاؤنٹ نمبر | |
|---|---|---|
| | شرکت دار کی شناخت | اکاؤنٹ نمبر |
| | | |

رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

**اہم نکات:**

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے شیئرز رجسٹرار کے دفتر میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے / کارپوریٹ ادارے مزید برآں درج ذیل شرائط کو پورا کریں گے۔**

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

## E-Voting as per the Companies (E-Voting) Regulations, 2016

I/We, ______________________________ of ____________________, being a member of Mahmod Textile Mills Ltd, holder of _________________________Ordinary Share(s) as per Register Folio No./CDC Account No.________________ hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer ___________________________ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is ______________________________________, please send login details, password and other requirements through email.

Signed under my/our hand this ________ day of ________________ 20____.

Signature of Member

Signed in the presence of:

_ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

Signature of Witness

Name:___________________________________________

CNIC/Passport No:_____________________________

Address:_______________________________________

Signature of Witness

Name:___________________________________________

CNIC/Passport No:_____________________________

Address:_______________________________________

## E-voting بمطابق E-voting ریگولیشنز

میں/ہم..........................................آ ف..........................................بحیثیت ممبر محمود ٹیکسٹائل ملز لمیٹڈ حامل .......................................... عام شیئرز رجسٹرڈ فولیو نمبر/ CDC اکاؤنٹ نمبر..........................................دوسرے شخص کے ذریعے E-voting کی آپشن اختیار کرتا ہوں اور اس پر عمل کے لئے ..........................................کو بحیثیت پراکسی Execution آفیسر مقرر کرنے پر رضا مندی ظاہر کرتا ہوں کہ وہ کمپنی۔ 2016ء کے قواعد کے تحت E-voting میں حصہ لے گا اور میں/ہم قرارداد کیلئے انتخاب کا مطالبہ کرتا ہوں/کرتے ہیں۔

میرا محفوظ کردہ E-mail ایڈریس..........................................ہے۔

برائے مہربانی مجھے/ہمیں Login تفصیلات، Password اور دیگر مطلوبہ معلومات بذریعہ E-mail ارسال کریں۔

میرے/ہمارے دستخط..........................................مورخہ..........................................سال..........................................

**ممبر کے دستخط**

**گواہ کے دستخط**

نام..........................................

CNIC / پاسپورٹ نمبر..........................................

ایڈریس..........................................

**گواہ کے دستخط**

نام..........................................

CNIC / پاسپورٹ نمبر..........................................

ایڈریس..........................................

# Dividend Mandate Form

Dear members

It is to inform you that U/s 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, direct the company to pay dividend through his/ her/ its bank Account.

In pursuance of directions given by the SECP Vide circular No. SMD/CIW/Misc/19/2009 dated June 05, 2012 we request Mr./Mrs./Ms. ______________________________________

S/o/D/o W/o ____________________________________________(where applicable) being the registered shareholder of Mahmood Textile Mills Ltd holding ____________ shares having F.No./CDC A/c No. ______________________________ hereby given the opportunity to authorize the company to directly credit in your bank account cash dividend (if any declared by the company in future.

Note:-(Please note that Dividend Mandate is optional & not compulsory, in case you don't wish your dividend to be directly credited into your bank A/c then the same shall be paid to you through Dividend Warrant.)

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of Dividend warrants. Please tick any one of the following.

**YES** ☐ **NO** ☐

If yes then please provide the following information.

**Transfer Detail**

| | |
|---|---|
| 1) IBAN number | |
| 2) Title of Bank Account; | |
| 3) Bank Account number; | |
| 4) Bank Code and Branch; Code | |
| 5) Bank Name, Branch Name and Address; | |
| 6) Cell/Landline Number; | |
| 7) CNIC number; and | |
| 8) Email Address. | |

# Income Tax Return Filing Status

**Confirmation for filing status of Income Tax return for application of revised rates pursuant to the provisions of Finance Act, 2018**

The Company Secretary
Mahmood Textile Mills Limited
Mehr Manzil, Lohari Gate,
Multan.

Dear Sir

I, Mr./Mrs./Ms ________________________ S/O, D/O, W/O ________________________ hereby confirm that I am registered as National Tax Payer and my relevant detail is given below:-

| Folio No./CDC A/c No. | Name | NTN No. | CNIC # in case of Individual & CUIN in case of Company | Income Tax return for the year ______ filed |
|---|---|---|---|---|
| | | | | |

It is stated that the above mentioned information is correct.

____________________

Signatures of Shareholder

Note:

- Shareholders are also requested to communicate aforesaid information to relevant members of Stock Exchange & CDC (in case of CDC Account holders).
- Please attach attested copy of CNIC and receipt of Income Tax return filed

# Investors' Education

In compliance with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message:

MAHMOOD GROUP

**Mahmood Textile Mills Limited**

Head Office: Mehr Manzil, O/s Lohari Gate,
P.O. Box 28, Multan - Pakistan.
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(92 61) 4511262, 4549711
mtm@mahmoodgroup.com
www.mahmoodgroup.com