



SAIF GROUP

# SAIF TEXTILE MILLS LIMITED



Certified ISO 9001:2008  
Certified ISO 14001:2004



33<sup>RD</sup> 2022  
**ANNUAL**  
REPORT

# ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

**CREDIT RATING AGENCY**



The Pakistan Credit Rating Agency Limited

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Osman Saifullah Khan	Chairman
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Rashid Ibrahim	Director
Sohail H Hydari	Director
Nadia Bilal	Chief Executive

### AUDIT COMMITTEE

Rashid Ibrahim	Chairman
Rana Muhammad Shafi	Member
Sohail H Hydari	Member

### HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

### CHIEF FINANCIAL OFFICER

Muhammad Faisal Raza

### COMPANY SECRETARY

Sajjad Hussain

### HEAD OF INTERNAL AUDIT

Meesam Habib Butt

### LEGAL ADVISOR

Dr. Pervez Hassan  
Hassan & Hassan, Advocates  
Salahuddin Saif & Aslam  
(Attorney's at Law)

### AUDITORS

M/s Shinewing Hameed Chaudhri & Co.  
Chartered Accountants  
HM House, 7-Bank Square, Lahore

### BANKERS

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
First Habib Modaraba Bank Limited  
First Women Bank Limited  
Habib Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Pak China Investment Company Limited  
Sindh Bank Limited  
Soneri Bank Limited  
The Bank of Punjab  
The Bank of Khyber  
United Bank Limited

### HEAD OFFICE

4th Floor, Kashmir Commercial  
Complex 1032-E, Fazal-e-Haq Road,  
Blue Area Islamabad.  
Telephone: +92-51-2604733-35  
Fax: +92-51-2604732  
Email: stm@saifgroup.com

### REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud  
Road, Peshawar  
Telephone: +92-91-5843870, 5702941  
Fax: +92-91-5840273  
Email: peshawar@saifgroup.com

### SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.  
HM House, 7-Bank Square, Lahore  
Telephone: +92-42-37235081-37235082  
Fax: +92-42-37358817  
Email: info@hmaconsultants.com

### MILLS

Industrial Estate, Gadoon Amazai, District  
Swabi  
Telephone: +92-0938-270313, 270429  
Fax: +92-0938-270514  
Email: stmgn@saifgroup.com

### CYBER

www.saiftextile.com



# Vision

To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.



## Mission

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the Saif Textile Mills Limited a stimulating and challenging experience for all our people.
- Strive for the continuous development of Pakistan while adding value to the textile sector.

# KEY PERFORMANCE INDICATORS

Rs.

**12,665**  
Million

**NET SALES REVENUE**

Rs.

**2,361**  
Million

**GROSS PROFIT**

Rs.

**1,972**  
Million

**EBITDA**

Rs.

**857**  
Million

**PROFIT BEFORE TAX**

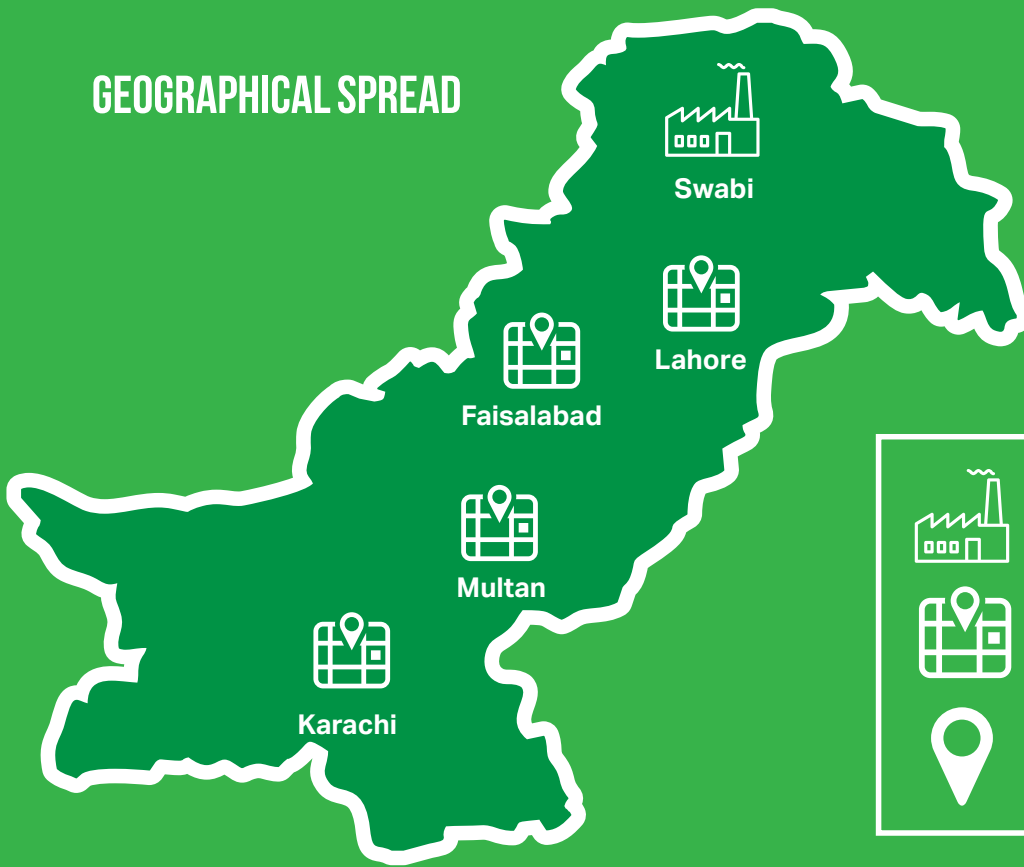
Rs.

**10.68**

**EARNINGS PER SHARE**



## GEOGRAPHICAL SPREAD



## Quality Statement

We strive to manufacture quality yarn as per our customer's requirement. This is achieved by:

- Our commitment to quality
- Extensive process monitoring and
- Training of personnel

## Our Products

Our products dyed yarns, melange yarns, special yarns for knitting, weaving and surgical cotton.

- **Ecreu Yarn**

Saif Textile is one of few largest fancy yarns manufacturing company in Pakistan. Our passion for fancy yarn has made us a trendsetter in this industry. We are constantly searching throughout the world to find ideas for new yarns, with various cottons & fibers to lead the industry with our innovative and top quality products.

Saif Textile can deliver yarns fully palletized, as well as Soft wound yarn on Dye/Perforated plastic cones with the option of 4° 20' and 0° cylindrical cone angles. All yarns are Automatically Palletized (Sangrato, Italy), Sequentially contamination controlled – Joss Vision Shield and Loptex, Loepfe Zenit Yarn cleared.

- **Dyed Yarn**

Saif Textile also offers wide range of dyed yarns, produced and dyed with state of the art machinery from Thiese Germany with highly automated operations, automatic dyestuff machine from Date Color, Yarn dyeing shades are electronically measured by using state of the art spectrophotometers.

- **Melange Yarn**

Saif Textile focus on the supply of top dyed melange yarn keeping in view latest trends and fashion, care for environment and technology.

- **Surgical Cotton**

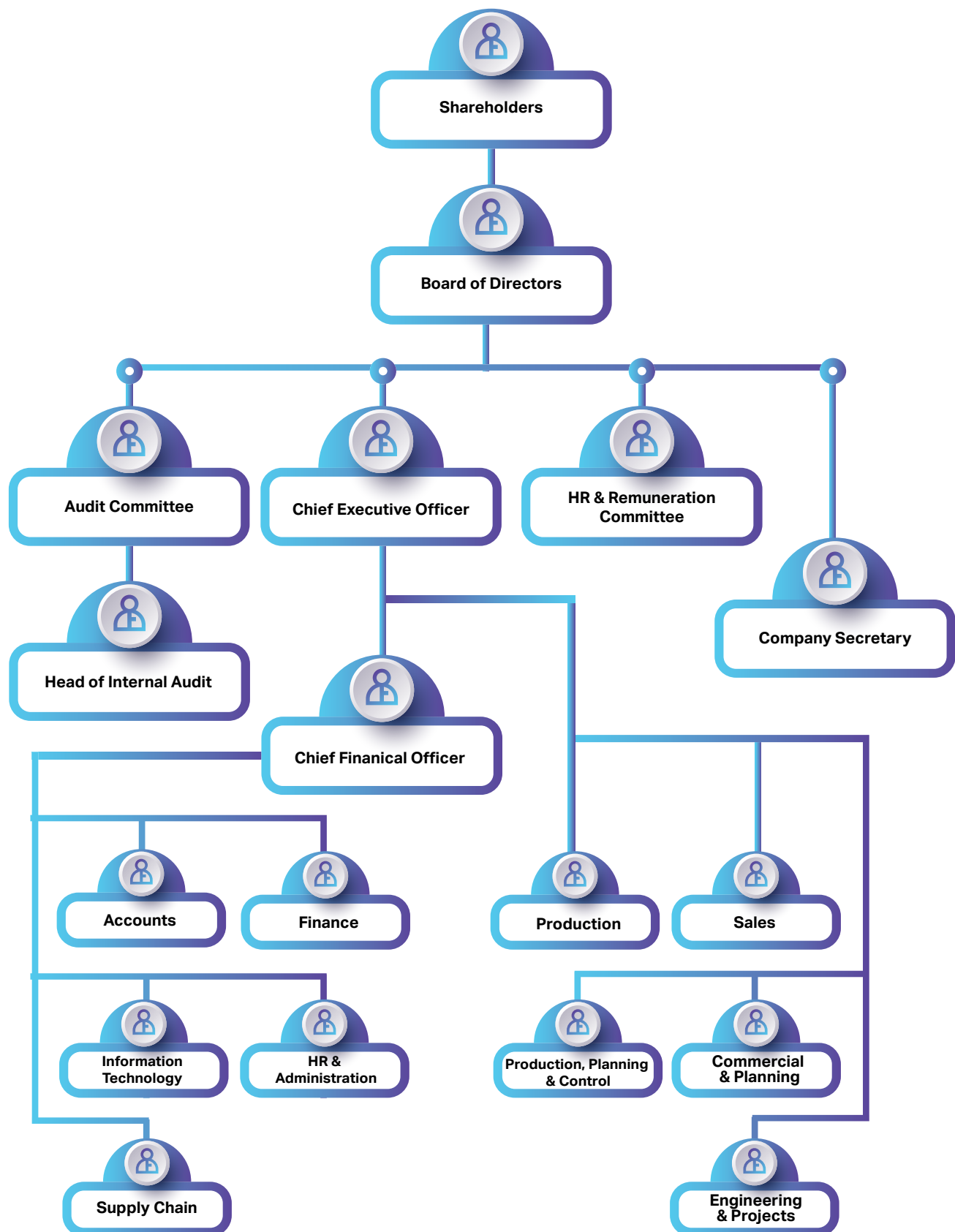
Surgical Cotton is being supplied to various local and international customers dealing with healthcare products.

## Our Customers

**Local** (Karachi, Lahore, Multan and Faisalabad)

**Export** (Turkey, Poland, Germany, Geneva, Tajikistan and Russia)

# ORGANIZATION CHART



# CHAIRMAN PROFILE



**Osman Saifullah Khan**  
Chairman

Mr. Osman Saifullah Khan currently serves as the Vice Chairman of the Saif Group, a diversified industrial and services conglomerate headquartered in Islamabad. Mr. Khan joined the Saif Group in 1995, and has held a variety of strategic and operating roles with the Group since that time. He serves as the Chairman of Saif Holding Ltd, the Group's holding company, as well as of the Group's textile manufacturing businesses. Mr. Khan is the founder of the Mediterranean Textile Company Egypt's largest exporter of premium yarn.

Mr. Khan has remained on the Board of Pakistan State Oil (PSO). He is associated with various industry advocacy platforms and is a member of the Pakistan Business Council (PBC). He has served on the Advisory Committee to the Planning Commission of Pakistan, served as a member of the Policy Board of the Securities and Exchange Commission of Pakistan (SECP) and is also an Advisor to the President, Ghulam Ishaq Khan Institute of Engineering Sciences (GIKI). Osman Khan is founder of the Wadaan Foundation, a not-for-profit organization that focuses on water, health and education issues in the southern districts of Pakistan's Khyber Pakhtunkhwa Province.

Osman Saifullah Khan was elected unopposed to the Senate of Pakistan in March 2012 for a six-year term and represented the Federal Capital Islamabad. He was Chairman of the Senate Standing Committee on Science & Technology and a member of the Senate Special Committee on China Pakistan Economic Corridor (CPEC).

He also served on three other Senate Committees: (i) Finance (ii) Information Technology & Telecommunications and (iii) Rules & Privileges.

Senator Khan was the mover of the private member's bill, the Domestic Workers (Employment Rights) Bill 2015, passed by the Senate on March 7th, 2016. His term in the Senate ended in March of 2018.

Osman Khan has a Master's degree in Engineering, Economics and Management from Christ Church, University of Oxford (1995), where he was a Britannia Scholar and a Master's degree in Business Administration (MBA) from the Graduate School of Business, Stanford University (2009).



# KEY MANAGEMENT PROFILE



**Nadia Bilal**  
Chief Executive Officer

Ms. Nadia holds an M.B.A. degree in Marketing and Finance. She has previously been associated with one of the largest textile companies in Pakistan – Nishat Chunian as Managing Director. With 25 years of experience, she is a seasoned professional of the textile industry specializing in Raw Material & Marketing Strategy Formulation, Team Building, Production Optimization and Cost Reduction.



**Muhammad Faisal Raza**  
Chief Financial Officer

Mr. Muhammad Faisal Raza is a fellow member of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). He is a dynamic, strategist, decision maker and result oriented professional with diversified experience spans over two decades across various industries including Aviation, Textile & Cement Manufacturing and Renewable Energy Sectors at senior management roles in strategic planning, financial management, project management, accounts, audit, ERP implementation and operations.

He has previously worked with Saif Group at various senior positions in Finance & Operations departments. He also remained associated with Pakistan International Airlines (PIACL) as General Manager Finance for around 10 years and had also served as CFO at SkyElectric Group.



**Sajjad Hussain**  
Company Secretary

Mr. Sajjad Hussain is a member of Institute of Cost and Management Accountants of Pakistan (ICMAP) and a law graduate from University of the Punjab. He has been associated with renowned companies such as Pakistan Oilfields Limited, Emaar Pakistan and House of Habib.

With 20 years of professional experience, he demonstrated expertise in managing corporate and legal affairs of the Company. His skills cover corporate law, joint venture formation, contract management, negotiations, HR matters and intellectual property.

# NOTICE OF 33<sup>RD</sup> ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 33rd Annual General Meeting of the Saif Textile Mills Limited (the Company) will Insha'Allah be held on **Tuesday, October 25, 2022 at 12:00 Noon** at its registered office, **APTMA House Tehkal Payan, Jamrud Road, Peshawar**, to transact the following business:

• **ORDINARY BUSINESS:-**

1. To confirm minutes of the Annual General Meeting of the Company held on October 25, 2021.
2. To receive, consider and adopt the annual audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2022.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2023. The retiring auditors, being eligible, have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s. Shinewing Hameed Chaudhri & Co., Chartered Accountants as external auditors of the company after obtaining their consent.

• **SPECIAL BUSINESS:-**

4. To ratify and approve transactions entered into by the Company with related parties in its ordinary course of business by passing the following special resolutions:-

**RESOLVED THAT** the Company be and is hereby authorized to share common expenses with M/s. Kohat Textile Mills Limited an associated Company or any other associated Company. The common expenses may include but not limited to office rents, administrative

salaries, utility expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices.

**RESOLVED FURTHER THAT** the transactions entered into by the Company in its ordinary course of business with related parties during the year ended June 30, 2022 as disclosed in notes to the Financial Statements are hereby ratified and approved.

**RESOLVED FURTHER THAT** the Chief Executive of the Company be and is hereby authorized to execute/ approve all the transactions to be carried out in its ordinary course of business with Related Parties during the ensuing year ending June 30, 2023 and in this connection the Chief Executive be and is hereby also authorized to take any and all necessary actions and to sign execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

5. To transact any other business with the permission of the Chair.

Statement of material facts required under Section 134(3) of the Companies Act, 2017 in respect of Special Business to be transacted at the forthcoming Annual General meeting is annexed.

**BY ORDER OF THE BOARD**



Peshawar,  
October 4, 2022

**Sajjad Hussain**  
Company Secretary

# NOTICE OF 33<sup>RD</sup> ANNUAL GENERAL MEETING

## NOTES:

1. The Shares Transfer Books of the Company will remain closed from October 19, 2022 to October 25, 2022 (both days inclusive). Transfers received in order at the office of the Company's Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore by the close of business on dated October 18, 2022 will be treated in time.
2. A member entitled to attend and vote at the meeting may appoint another person/ member as a proxy to attend, speak and vote on behalf of him/her. Forms duly stamped with Rs.50/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of the meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has been uploaded on the Company's website [www.saiftextile.com](http://www.saiftextile.com). Those Members, who opt to receive the hard copies of the annual audited financial statements instead of receiving the same through CD/DVD/USB at their registered addresses, may apply to the Company Secretary at the postal address i.e. APTMA House, Tehkal Payan, Jamrud Road, Peshawar or email address [ca.stml@saifgroup.com](mailto:ca.stml@saifgroup.com).
5. Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier.
6. Change in Address: Members are requested to promptly notify any change in their address.
7. Pursuant to Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail such facility, please fill the following form and submit to the registered address of the Company atleast seven (07) days before the date of the annual general meeting.  
  
I/ We, \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_,  
being a member of Saif Textile Mills Limited,  
holder of \_\_\_\_\_ Ordinary  
Shares as per Register Folio No. / CDC A/C  
No. \_\_\_\_\_ hereby opt for Video  
Conference facility at \_\_\_\_\_.  
  
\_\_\_\_\_  
Signature of member
8. **DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:**  
  
In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Hameed Majeed Associates (Pvt.) Limited:

Name of Shareholder	
Folio / CDS Account No.	
CNIC	
Email	
Title of Bank of Account	
Bank Account (IBAN) Number (24-Digits)	
Bank's Name	
Branch Name and Address	
Contact No.	

9. Shareholders, who for any reason, could not claim their dividend, are advised to contact our Share Registrar M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore and collect/ enquire about their unclaimed dividend.
10. As per Section 72 of the Companies Act, 2017 every company is required to replace its physical shares with book-entry form. The Shareholders having physical shares are therefore requested to open CDC sub-account with any of the brokers or Investor

Account directly with CDC to place their physical shares into book-entry form. This will facilitate them in many ways including safe custody/online trading of shares, easy transfer of ownership, no risk of damage/ lost/duplicate shares, instant credit of entitlements (bonus/right issue) etc.

## STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017

### Agenda no. 4:

The transactions conducted with associated companies require the approval of the Board on the recommendation of the audit committee on the quarterly basis pursuant to clause (15) of the Listed Companies (Code of Corporate Governance) Regulations, 2019. However, since a majority of the company's directors were interested in the said transactions due to their common directorship and holding of shares in the associated companies, the quorum of the directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017, thus, these transactions are being placed before the members for their approval.



## REVIEW REPORT BY THE CHAIRMAN

It gives me pleasure to present my review of the overall performance of the Board of Directors (the "Board") of Saif Textile Mills Ltd. (the Company) and its effectiveness in achieving the Company's objectives. The Board has performed its duties diligently in upholding the best interest of the shareholders of the Company and has managed the affairs of the Company effectively and efficiently. The Company endeavours to follow the best practices of corporate governance and complies with all the relevant requirements of the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, meetings and procedures of the Board and its Committees.

For the financial year ended June 30, 2022, an annual evaluation of the Board was carried out as per the directives of the Listed Companies (Code of Corporate Governance) Regulations, 2019. I am pleased to report that the Board has performed its duties in accordance with law and in the best interests of the Company and its shareholders. The overall performance of the Board is measured based on the evaluation of factors including vision, mission, and values; engagement level in strategic planning; formulation of policies; monitoring of the organization's business activities; monitoring financial resource management; effective fiscal oversight and fair treatment of all employees. The Board has ensured that there is adequate representation of non-executive, independent and female directors on the Board and its committees as required under the Code. Moreover, the members of the Board and its respective committees have adequate skill, experience and knowledge to manage the affairs of the Company.

The role of the Board has been pivotal in achieving the Company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic

objectives. During the financial year 2021-22, the Board made significant contributions to the Company by performing the following functions:

- Performed effective and robust oversight
- Reviewed and approved CapEx plans
- Ensured the quality and appropriateness of financial reporting and the transparency of disclosures in annual and quarterly financial statements
- Prepared and approved the Directors' Report and ensured that all the requirements of applicable laws and regulations are complied with
- Approved all related-party transactions on the recommendations of the Audit Committee
- Carried out risk assessment, especially, of regulatory and legal requirements, market trends, raw material supply and price, energy availability and cost, interest rate and liquidity risks
- Ensured that the adequate system of internal controls is in place and its regular review through self-assessment mechanism and internal audit activities
- Reviewed and approved the financing / borrowing facilities
- Ensured timely dissemination of price-sensitive and inside information to relevant regulatory authorities



**(OSMAN SAIFULLAH KHAN)**

Chairman

Islamabad

September 30, 2022

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## DEAR SHAREHOLDERS,

The Directors of your Company take pleasure in presenting before you the financial results of your Company for the financial year ended June 30, 2022.

## OVERVIEW

The Company's net turnover, during the year under review, remained Rs.12,665 million (30th June 2021: Rs.10,647 million) which increased by 19% mainly due to persistent rise in yarn prices and relatively good product mix offered to the market. Generally during the Year 2022, textile sector witnessed a bullish trend resultantly revenues and net profit margins increased industry wide.

Increase in turnover posted positive impact on gross profit margins by 25% i.e. Rs. 469 million as compared to last year. The company earned profit before tax amounting Rs. 857 million (2021: Rs. 691 million) which increased by 24% mainly due to efficient raw material planning and managing overheads which contributed

towards profitability. However, net profit after tax remained Rs. 282 million as compared to Rs. 527 million during the corresponding year. The decline in net profitability is due to super tax and deferred taxation.

During the year the Company repaid Long term loans amounting Rs. 818 million and paid markup amounting Rs. 192 million. Management believes that the company will continue to meet all its' financial obligations on timely basis. The Company is ISO certified in 9001:2015 (Quality Management system) and 45001:2008 (Occupational Health & Safety Management system). The entity rating of the Company has been maintained at A- for Long Term and A2 for Short Term by Pakistan Credit Rating Agency Limited (PACRA) with outlook stable.

## EARNINGS PER SHARE

Earnings per share during the period under report worked out to Rs. 10.68 (2021: Rs. 19.95 earnings per share).

**The key operating and financial data of the Company for last six years is given below:-**

	2022	2021	2019	2018	2017	2016
	(Rupees in thousand)					
Operating Fixed Assets	6,513,614	6,433,338	6,552,480	5,400,232	4,991,596	4,485,732
Net Worth (Restated)	3,931,757	3,670,112	3,161,279	3,198,422	2,401,918	2,273,053
Turnover	12,665,019	10,646,677	7,651,433	8,975,842	7,852,240	7,586,301
Gross Profit	2,360,929	1,891,651	637,418	1,037,813	855,018	763,013
Gross Profit Margin (% age)	18.64%	17.77%	8.33%	11.56%	10.89%	10.06%
Net Profit/(Loss)-After Taxation	282,077	526,877	(671,610)	830,319	45,868	22,945
Net Profit/(Loss) Margin (% age)	2.23%	4.95%	(8.78)%	9.25%	0.58%	0.30%

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## PROFIT APPROPRIATION

In order to avail growth opportunities, strengthen the balance sheet and to generate higher returns for the shareholders in the future, the Board in its meeting held on September 30, 2022 has recommended that no dividend be distributed for the year ended June 30, 2022 (June 30, 2021: cash dividend Rs. Nil per share i.e., Nil %).

## FUTURE OUTLOOK

The Government of Pakistan (GoP) is facing strong headwinds of economic challenges and widespread floods, inflation and global recession have further exacerbated the situation. Floods have badly affected the cotton crops which will impact the availability of local cotton as well as the commodity prices. Abnormal fluctuation of raw material prices and globally increased in shipping cost will significantly impact the cost of textile industry.

GoP has taken unpopular and difficult economic decisions under IMF deal which has resulted in erratic movement of PKR against USD, imposition of additional taxes i.e., super tax, increase in financing cost to curb inflationary trends and substantial increase in energy prices. Such measures along with the prevailing political situation that continues to be uncertain will further increase cost of doing business and textile industry is no exception to it.

Management is upbeat to withstand the challenges coming forth and plans to realize business objectives by diversification in product portfolio, efficient planning of raw material procurement, rationalizing of power generation mix with solar to reduce impact of significant increase in energy prices and will put its best efforts for the costs optimization to maximize the shareholders wealth.

## CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the company present fairly its true 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 financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of shareholding.
- There has been no material departure from the best practices of code of corporate governance.
- The board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 17 to the annexed audited statements.
- **Composition of Board**

The board of Directors as at June 30, 2022 consist of:

# DIRECTORS' REPORT TO THE SHAREHOLDERS

	Directors	Numbers
a)	Male	06
b)	Female	01

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

## Committees of the Board

Following are the details of the member of each committee:

### Audit Committee

1	Rashid Ibrahim	Chairman
2	Rana Muhammad Shafi	Member
3	Sohail H Hydari	Member

### Human Resource and Remuneration Committee

1	Muhammad Danish	Chairman
2	Hoor Yousafzai	Member
3	Assad Saifullah Khan	Member

## Attendance of Board Meetings and its Committees

S.No.	Name of Director/ Member	Board Meetings	Audit Committee Meetings	HR & Remuneration Committee Meetings
1	Mr. Osman Saifullah Khan	3	-	-
2	Ms. Hoor Yousafzai	3	-	2
3	Mr. Assad Saifullah Khan	4	-	2
4	Rana Muhammad Shafi	4	4	-
5	Mr. Rashid Ibrahim	4	4	-
6	Mr. Muhammad Danish	3	-	-
7	Mr. Sohail Hussain Hydari	4	3	-
8	Syed Masroor Hasnain	4	-	-

Leave of absence was granted to Directors who could not attend any of the above meetings.

## PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

The evaluation of Board's role of oversight and its effectiveness is continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Board's independence; and

- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

## CEO PERFORMANCE EVALUATION

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning



# DIRECTORS' REPORT TO THE SHAREHOLDERS

and corporate success.

## DIRECTORS' REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2021-22, please refer notes to the Financial Statements.

## EXTERNAL AUDITORS

The present auditors, M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 25, 2022 until conclusion of next Annual General Meeting.

## MATERIAL CHANGES

There have been no material changes since June 30, 2022 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

## PATTERN OF SHAREHOLDING

The pattern of shareholding under section 227(2) (f) of the Companies ACT, 2017 and additional information as required by the Code of Corporate Governance is enclosed.

## HUMAN RESOURCE MANAGEMENT

Human resource planning and management is one of the most important considerations with

the senior management. The Company has established a HR&R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

## RISK MANAGEMENT & INTERNAL CONTROL

The Company's risk management policy implicates to continually assess the environment to build resilience against any threats. The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

## HEALTH, SAFETY & ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

## CORPORATE SOCIAL RESPONSIBILITY

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base.

## ACKNOWLEDGEMENT

The Board places on record its appreciation for the support of our bankers and our valued customers.

I would also like to highlight the hard work put in by the members of our corporate family.

We are confident they will continue to show the same dedication in the days ahead.

On behalf of the board of Directors



**NADIA BILAL**

Chief Executive Officer

**Place:** Islamabad

**Dated:** September 30, 2022



**ASSAD SAIFULLAH KHAN**

Director

## ڈائریکٹر رپورٹ برائے شیئر ہولڈر

ہیومن ریسورسز منجمنٹ (انسانی وسائل کا نظام و انصرام)

سینئر انتظامیہ کیلئے ہیومن ریسورسز منجمنٹ سب سے اہم پہلو میں سے ایک ہے۔ کمپنی ہذا نے اس سلسلہ میں ایچ آر اینڈ آر (HR&R) کمیٹی قائم کی ہے جو اہم انتظامی اشخاص / اسٹاف کا انتخاب کرنے، تجزیہ / تشخیص کرنے، معاوضہ ادا کرنے اور اورن کی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار کو واضح کرنے اور وقتاً فوقتاً ان کا جائزہ لینے میں بھی اپنی سفارشات پیش کرتا ہے۔

انتظام و انصرام برائے خطرات اور داخلی کنٹرول (ریسک منجمنٹ اینڈ انٹرنل کنٹرول)

کمپنی ہذا کی ریسک منجمنٹ پالیسی ماحول کو کنٹرول کرنے کیلئے مسلسل مصروف پیکار ہے تاکہ کسی بھی خطرے کے خلاف حفاظتی حصار بنایا جاسکے / ان کے خلاف حفاظتی اقدامات کئے جاسکیں۔ بورڈ ہذا نے ایک خود مختار / آزاد داخلی آڈٹ فنکشن کے ذریعے سے داخلی کنٹرول فریم ورک پر موثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر بیرونی آڈٹ فنکشن سے آزاد ہے۔

صحت، حفاظت اور ماحول:

ہم صحت، تحفظ اور ماحول کے بارے میں اعلیٰ معیار کو برقرار رکھنے میں بھرپور / مکمل یقین رکھتے ہیں تاکہ ایسے افراد جو ہمارے ساتھ کام کرتے ہیں اور اس کے ساتھ ساتھ متعلقہ علاقے جہاں ہم کاروبار کرتے ہیں ان کی فلاح و بہبود کو یقینی بنایا جائے۔

کارپوریٹ / کمپنی کی سماجی ذمہ داریاں:

کمپنی ہذا اپنے تمام کاروباری ماحول / سرگرمیوں میں سماجی، ماحولیاتی اور اخلاقی معاملات کو ہمیشہ پیش نظر رکھتا ہے۔ کمپنی اپنے تمام شیئر ہولڈرز، خاص طور پر کمیونٹی جہاں ہم رہتے ہیں اور جہاں ہمارے صارفین کی بنیاد ہے، کے اولین مفاد کیلئے کام کرنے کا عہد کئے ہوئے ہے۔

اظہار تشکر

بورڈ کمپنی ہذا اپنے بینکرز، اور معزز صارفین کے تعاون کو خراج تحسین پیش کرتا ہے۔ میں یہاں اپنی کارپوریٹ فیملی کے ممبران کی انتھک محنت کو بھی اُجاگر کرتا ہے۔

ہم اُمید کرتے ہیں کہ وہ آئندہ بھی اسی لگن کے ساتھ جاری و ساری رکھیں گے۔

بورڈ ہذا کی جانب سے:

Asad Ali

اسد سیف اللہ خان

ڈائریکٹر

بمقام: اسلام آباد

تاریخ: 30 ستمبر 2022ء

Asad Ali

نادیہ بلال

چیف ایگزیکٹو آفیسر

# ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

ڈائریکٹرز جو کسی بھی مذکورہ اجلاس میں حاضر نہیں ہو سکے، انہیں غیر حاضری کی اجازت دی گئی۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ:

بورڈ ہذا کے کارکردگی کی نگرانی اور اس کا موثر ہونا ایک مسلسل عمل / مرحلہ ہے جو بورڈ ہذا خود تشخیص کرتا ہے۔ درج ذیل پہلوؤں پر توجہ مرکوز کی گئی ہے:

- \* کارپوریٹ اہداف اور مقاصد کا کمپنی کی مستقبل کے نقطہ نظر اور مشن / مقصد کی بناء پر متعین کرنا۔
- \* دیرپا کاروباری امور کیلئے حکمت عملی کی تشکیل
- \* بورڈ ہذا کی آزادانہ امور کی انجام دہی اور
- \* متعلقہ قواعد و ضوابط کے حوالا جات کے مطابق بورڈ کمیٹی کی ذمہ داریاں سرانجام دینے سے متعلق کارکردگی کی تشخیص

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا جائزہ:

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا باقاعدہ جائزہ / تشخیص آزمائشی (جانچ پڑتال) نظام کے ذریعے سے کیا جاتا ہے جس کی بنیاد مقداری اور قابل قدر اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع سے متعلق مقاصد کے حصول، ادارے کی ترقی، جانشینی کی منصوبہ بندی، منظم کامیابی شامل ہیں۔

ڈائریکٹرز کی تنخواہ / معاوضہ:

بورڈ ممبران کی تنخواہ / بورڈ ہذا خود منظور کرتا ہے، تاہم کارپوریٹ نظم و ضبط کے قواعد کے مطابق، یہ امر یقینی بنایا گیا ہے کہ کوئی بھی ڈائریکٹر اپنی تنخواہ کے فیصلے کے بارے میں حصہ نہ لے سکے۔ کمپنی ہذا اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ کی ادائیگی نہیں کرتی۔ سال 2021-22 میں ڈائریکٹرز اور سی ای او کی تنخواہ کے بارے میں برائے مہربانی مالیاتی گوشوارے کے نوٹس ملاحظہ فرمائیں۔

خارجی / ایکسٹرنل آڈیٹرز:

موجودہ آڈیٹرز ایم / ایس شینونگ حمید چوہدری اینڈ کو، چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہو گئے ہیں اور اس امر کے اہل ہیں کہ وہ دوبارہ تعیناتی کیلئے اپنی خدمات پیش کر سکتے ہیں آڈٹ کمیٹی کی تجویز کی بناء پر، بورڈ ہذا نے کمپنی میں ان کی باحیثیت آڈیٹرز کی تعیناتی کی سفارش کی ہے کہ وہ مورخہ 25 اکتوبر 2022 میں ہونی والی اس سالانہ جنرل میٹنگ سے لیکر آئندہ سالانہ جنرل میٹنگ تک کمپنی ہذا کے دفتر میں اپنی خدمات سرانجام دیں۔

مادی / میٹریل تبدیلیاں:

30 جون 2022ء سے اب تک کی رپورٹ آنے تک کوئی بھی مادی / میٹریل تبدیلی نہیں کی گئی۔ اس مدت کے دوران کمپنی ہذا نے کوئی معاہدہ نہ کیا ہے جس کا کمپنی کی مالیاتی پوزیشن پر برے اثرات مرتب ہو گئے۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ):

کمپنیز ایکٹ 2017 کے سیکشن (f) 227 کے تحت حصص رکھنے کا نمونہ اور اضافی معلومات جیسا کہ کارپوریٹ نظم و ضبط کے قواعد میں مطلوب ہیں، ساتھ لف ہے:

# ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

\* بورڈ ہذا کے ڈائریکٹرز نے ایک واضح مشن سٹیٹمنٹ (مقصدی بیان) اور ایک مجموعی کارپوریٹ حکمت عملی بیان اختیار کئے ہوئے ہیں۔

\* قابل ادائیگی ٹیکسز اور بقایا جات کے لئے برائے مہربانی لف نوٹ 17 آڈٹ گوشوارہ ملاحظہ کیجئے

بورڈ ہذا کی درجہ بندی

مورخہ 30 جون 2022ء تک بورڈ ہذا مشتمل ہے:

تعداد	منتخب شدہ ڈائریکٹرز	
06	مرد	الف
01	خواتین	ب

تعداد	درجہ بندی	
02	انڈیپنڈنٹ ڈائریکٹر	الف
04	نان ایگزیکٹو ڈائریکٹرز	ب
01	ایگزیکٹو ڈائریکٹر	ج

بورڈ ہذا کی کمیٹیاں

ہر کمیٹی کے ممبر کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی

1. راشد ابراہیم
2. رانا محمد شفیع
3. سہیل ایچ حیدری
- \* کمیٹی برائے انسانی وسائل (ہیومن ریسورسز) و معاوضہ

1. محمد دانش
2. حور یوسف زئی
3. اسد سیف اللہ خان

بورڈ کے اجلاس اور اس کے کمیٹیوں میں حاضری تفصیل

نمبر شمار	نام ڈائریکٹر / ممبر	بورڈ اجلاس	آڈٹ کمیٹی اجلاس	ایچ آر و معاوضہ کمیٹی اجلاس
1	جناب عثمان سیف اللہ خان	3	-	-
2	مس حور یوسف زئی	3	-	2
3	جناب اسد سیف اللہ خان	4	-	2
4	جناب رانا محمد شفیع	4	4	-
5	جناب راشد ابراہیم	4	4	-
6	جناب محمد دانش	3	-	-
7	جناب سہیل حسین حیدری	4	3	-
8	سید مسرور حسنین	4	-	-

## منافع کی تقسیم

ترقی کے مواقع حاصل کرنے، بیلنس شیٹ کو مضبوط بنانے اور مستقبل میں شیئر ہولڈرز کے لئے زیادہ منافع پیدا کرنے کیلئے بورڈ نے 30 ستمبر 2022 کو منعقد ہونے والے اپنے اجلاس میں سفارش کی ہے کہ (30 جون 2022ء کو ختم ہونے والے سال کیلئے کوئی منافع تقسیم نہ کیا جائے۔ (30 جون 2021ء کیس ڈیویڈنڈ صفر، صفر فی صد روپے فی حصص)

## مستقبل کا نقطہ نظر

حکومت پاکستان کو سخت قسم کی معاشی بحرانوں اور وسیع پیمانے پر سیلاب، مہنگائی اور عالمی کساد بازاری کا سامنا ہے جس نے حالات کو مزید سنگین کر دیا ہے سیلاب نے کپاس کے فصل کو بری طرح نقصان پہنچایا جس سے مقامی کپاس کی دستیابی کے ساتھ ساتھ اجناس کی قیمتوں پر اثرات مرتب ہو گئے۔ خام مال کی قیمتوں کی غیر یقینی صورت حال / غیر معمولی اتار چڑھاؤ اور عالمی سطح پر شپنگ کی لاگت میں اضافہ سے ٹیکسٹائل صنعت کی لاگت میں معنی خیز / نمایاں اضافہ ہوگا۔

حکومت پاکستان نے آئی ایم ایف (IMF) کے ساتھ معاہدے پر غیر مقبول اور مشکل معاشی فیصلے کئے ہیں جس کے نتیجے میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی غیر مستحکم روانی / حرکت، اضافی ٹیکسوں کا لاگو یعنی سپر ٹیکس، مہنگائی کے رجحان کو روکنے کیلئے مالیاتی لاگت میں اضافہ ہوا اور ان وجوہات کی بناء پر نوآئیی کی قیمتوں میں حقیقی / غیر معمولی اضافہ ہوا اس قسم کے اقدامات بشمول جاری سیاسی صورت حال جو بدستور غیر یقینی ہے، کاروباری لاگت میں مزید اضافہ ہوگا، لہذا ٹیکسٹائل کی صنعت بھی اس سے مبرا نہ ہے۔

انتظامیہ ہذا آئندہ آنے والے چیلنجوں سے نبرد آزما ہونے کیلئے پوری طرح کوشاں ہیں اور مصنوعات کے پورٹ فولیو میں تنوع کے ذریعے، خام مال کی خریداری کیلئے بہترین منصوبہ بندی اور سولر کا استعمال کر کے توانائی پیدا کرنے کے لئے سرگرم عمل ہے تاکہ توانائی کی بڑھتی ہوئی قیمتوں کے اثرات کو کم سے کم کیا جائے اور مجموعی طور پر لاگت (بیداوری) اصلاح کرنے کے لئے بھی اپنی پھر پور جدہ جہد میں بھی ہمتن مصروف ہے تاکہ شیئر ہولڈرز کی آمدنی / منافع / دولت کو زیادہ سے زیادہ کیا جاسکے۔

## کارپوریٹ (کمپنی) انتظامی نظم و ضبط:

- کارپوریٹ انتظامی نظم و ضبط کی وضاحت اور مالیاتی رپورٹنگ کے بنیادی خود خال درج ذیل دیئے گئے ہیں:
- \* کمپنی ہذا کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے جاری حقیقی معاملات، اس کے آپریشن (کاروباری امور) کے نتائج، کیش فلو ز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتا ہے۔
- \* کمپنی ہذا نے بکس آف اکاؤنٹس کا باقاعدہ ریکارڈ رکھا ہے۔
- \* مالیاتی گوشوارے تیار کرنے کیلئے مناسب اکاؤنٹنگ پالیسیاں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلے پر مبنی ہے۔
- \* بین الاقوامی مالیاتی رپورٹنگ (احوال بیان کرنے) کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔

- \* داخلی کنٹرول کا نظام ڈیزائن کے لحاظ سے مضبوط ہے اور جس کی موثر طریقے سے عمل درآمد اور نگرانی کی جارہی ہے۔
- \* موجودہ جاری صورت حال میں کمپنی ہذا کی صلاحیت کے بارے میں کسی قسم کا کوئی شک و شبہ نہ ہے۔
- \* حالیہ سال میں سی ای او (CEO)، ڈائریکٹرز، سی ایف او (CFO)، کمپنی سیکرٹری، ان کی بیویاں / خاوند اور نابالغ بچوں کا کمپنی میں کوئی کاروباری شیئر نہیں ہے صرف وہ جن کا شیئر ہولڈنگ کے پیٹرن میں بیان کیا گیا۔
- \* کارپوریٹ انتظامی نظم و ضبط کے بہترین عملیات میں سے کوئی بھی مادی امر کو چھوڑا نہیں جاتا۔



# ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

## محترم شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز کیلئے خوشی کا امر ہے کہ وہ آپ کے سامنے سالانہ آڈٹ شدہ مالیاتی گوشوارہ/رپورٹ برائے اختتامی سال 30 جون، 2022ء پیش کر رہے ہیں۔

## سرسری جائزہ:

حالیہ زیر جائزہ سال کے دوران کمپنی کی مجموعی پیداوار/ حجم مبلغ 12,665 ملین روپے (30 جون 2021ء میں مبلغ 10,647 ملین روپے) رہی جس میں 19% کا اضافہ ہوا جس کی وجہ سے سود کی قیمت میں مسلسل اضافہ اور نسبتاً مارکیٹ میں ملی جلی پیداوری پیش کش تھی۔ (متنوع مصنوعات کو پیش کیا گیا تھا)۔ سال 2022 میں ٹیکسٹائل صنعت میں تیزی کا رجحان دیکھنے میں آیا جس کا نتیجہ آمدن اور مجموعی منافع کے مارجن میں اضافہ ہوا اور صنعت کو وسعت ملی۔ مجموعی پیداواری اضافہ سے کل منافع کی شرح میں 25% کے اضافہ سے مثبت اثرات مرتب ہوئے (یعنی گزشتہ سال کی نسبت 469 ملین روپے) کمپنی ہذا کو ٹیکس کی کٹوتی سے قبل منافع مبلغ 857 ملین روپے حاصل ہوا (2021: مبلغ 691 ملین روپے) جس میں 24% کا اضافہ ہوا جس کی اہم وجہ خام مال کی (سپلائی اور استعمال) کی بہتر منصوبہ بندی اور دیگر معاملات کے نظم و نسق ہے جس کی وجہ سے منافع کی شرح میں اضافہ ہوا تاہم قبل از ٹیکس کل منافع گزشتہ سال کے اسی مدت کے دوران مبلغ 527 ملین روپے کی نسبت مبلغ 282 ملین روپے برقرار رہی مجموعی منافع کی شرح میں کمی کی وجہ سے ٹیکس اور ملتی شدہ ٹیکس کا لاگو کرنا ہے۔

حالیہ جاری سال کے دوران کمپنی ہذا کی طویل مدتی قرضوں کی ادائیگی مبلغ 818 ملین روپے اور اداد شدہ مارک اپ کی رقم مبلغ 192 ملین روپے تھی انتظامیہ اس امر پر یقین رکھتی ہے کہ کمپنی وقت کے ساتھ ساتھ اپنے تمام مالیاتی فرائض/ ادائیگیاں پورا کر لے گی۔

کمپنی ہذا کو ISO 9001:2015 (نظام برائے کوالٹی منجمنٹ) اور 45001:2008 (پیشہ ورانہ صحت و حفاظتی انتظامی نظام) کے سرٹیفکیٹ سے نوازا گیا۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹیڈ (PACRA) کے مطابق کمپنی ہذا کی لمبی مدت کیلئے (A-) اور مختصر مدت کیلئے (A2) انٹیٹی ریٹنگ بمع مستحکم اہداف کے ساتھ برقرار رہی۔

## فی حصہ آمدنی

زیر جائزہ تیار رپورٹ کے دوران فی حصہ آمدنی 10.68 روپے تک پہنچ گئی (2021: 19.95) روپے فی حصہ آمدنی)۔

کمپنی کا گزشتہ چھ سالوں کا اہم آپریٹنگ (کاروباری امور) اور مالیاتی اعداد و شمار درج ذیل ہے:-

اختتامی سال 30 جون						
2017	2018	2019	2020	2021	2022	
روپے ہزاروں میں						
4,485,732	4,991,596	5,400,232	6,552,480	6,433,338	6,513,614	موجودہ فیکسڈ اثاثہ جات
2,273,053	2,401,918	3,198,422	3,161,279	3,670,112	3,931,757	کل مالیت
7,586,301	7,852,240	8,975,842	7,651,433	10,646,677	12,665,019	مجموعی پیداوار
763,013	855,018	1,037,813	637,418	1,891,651	2,360,929	کل منافع
10.06	10.89	11.56	8.33	17.77	18.64	کل منافع کا مارجن (فیصد میں)
22,945	45,868	830,319	(671,610)	526,877	282,077	مجموعی منافع/ نقصان بعد از ٹیکس
0.30	0.58	9.25	(8.78)	4.95	2.23	مجموعی منافع/ نقصان کا مارجن (فیصد میں)

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. STML was incorporated with the aim of providing employment to the locals.

## Environment Protection

Textile manufacturing especially dyeing can cause significant harm to environment if adequate measures are not taken to mitigate hazardous effects of textile processes. The Company is deeply concerned and has established a waste water treatment plant at production facilities of Dyeing.

## Energy Conservation

In addition to investing in the alternative energy sources, conservation of energy sources are under special focus of the Company. The Company is in the process of replacement of conventional tube lights with LED lights and installation of solar panels.

## Iftar Arrangements

Iftar arrangements were made during the Holy Month of Ramdan at factory premises, like previous years. This benevolent gesture was open for all, bringing ease and joy to the locality.

## Masjid

A masjid has been built by the STML in Gadoon industrial area to facilitate both, employees and locals.

## Equal Opportunity Employer

The Company believes in providing equal opportunity to everyone around. The Company laws in this regard have complied with and no discrimination upon race, religion, age, national origin, gender, or disability is acceptable. No harassment or discrimination of any kind is tolerated; directors and employees adhere standards with regard to child labor and forced labor.

## Occupational Safety and Health

STML has a comprehensive policy for health and safety standards. The Company provide each employee with a safe work environment and comply with all applicable health and safety laws. Workers are engaged in manufacturing activities after taking into account professional safety measures. STML also provide health and life insurance to its employees.

## Educational Assistance for Children of Employees

STML provide Educational Assistance to low income staff members, so that they can afford quality education for their children. This assistance is provided till completion of secondary school certification. A special school bus is also arranged for providing free conveyance to children.

## Medical Benefits

STML provide medical facilities to all regular employees and their immediate family members. The company has also established dispensary at its production facility.

# HORIZONTAL ANALYSIS

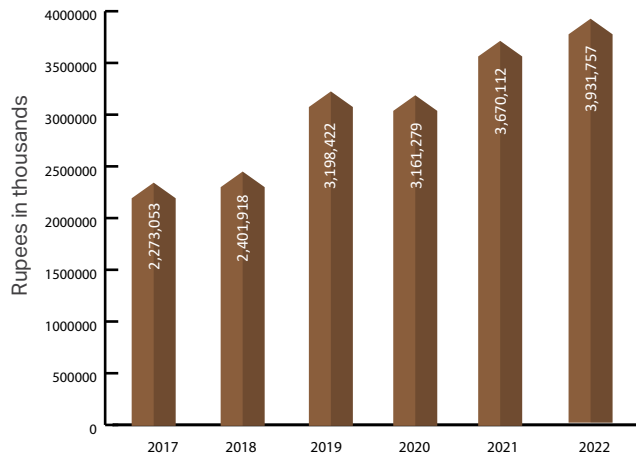
	2022	Variance vs Last year increase/ (decrease)%	2021	Variance vs Last year increase/ (decrease)%	2020	Variance vs Last year increase/ (decrease)%	2019	Variance vs Last year increase/ (decrease)%	2018	Variance vs Last year increase/ (decrease)%
	(Rupees in million)									
<b>Operating Results</b>										
Sales-net	12,665	18.96	10,647	39.15	7,651	(14.76)	8,976	14.31	7,852	3.51
Cost of sales	10,304	17.69	8,755	24.82	7,014	(11.64)	7,938	13.45	6,997	2.55
<b>Gross Profit</b>	<b>2,361</b>	<b>24.82</b>	<b>1,892</b>	<b>196.95</b>	<b>637</b>	<b>(38.62)</b>	<b>1,038</b>	<b>21.38</b>	<b>855</b>	<b>12.06</b>
Distribution cost	256	22.49	209	25.15	167	16.78	143	(1.38)	145	(10.49)
Administrative expenses	318	13.82	279	14.51	244	14.55	213	8.12	197	(5.29)
Other operating expenses	215	147.98	87	725.71	11	(34.38)	16	45.45	11	-
Finance Cost	792	18.92	666	(22.15)	856	43.67	595	54.66	385	22.22
Exchange fluctuation gain/ (loss)	5	100.00	3	(50.00)	5	(93.01)	72	(7.14)	77	5,823.08
Other operating income	72	89.22	38	245.91	11	(98.80)	921	9,197.98	10	(75.64)
<b>Profit / (Loss) before taxation</b>	<b>857</b>	<b>24.02</b>	<b>691</b>	<b>(210.74)</b>	<b>(624)</b>	<b>(167.87)</b>	<b>919</b>	<b>1,742.36</b>	<b>50</b>	<b>(53.08)</b>
Provision for taxation	575	249.54	165	242.71	48	(46.07)	89	1,922.73	4	(94.73)
<b>Profit / (Loss) for the year</b>	<b>282</b>	<b>(46.44)</b>	<b>527</b>	<b>(178.35)</b>	<b>(672)</b>	<b>(180.93)</b>	<b>830</b>	<b>1,724.92</b>	<b>46</b>	<b>99.21</b>
<b>Balance Sheet</b>										
<b>NON CURRENT ASSETS</b>										
Property, plant and equipment	6,514	1.25	6,433	(1.81)	6,552	21.33	5,400	8.17	4,992	11.28
Intangible assets	-	(100.00)	2	(57.50)	4	(41.18)	7	(28.27)	9	(21.00)
Long term investments	12	(2.83)	12	2.92	12	380.00	3	-	-	-
Long term loans	21	6.70	19	(3.00)	20	(9.09)	22	83.33	12	(14.29)
Long term deposits	32	35.86	24	59.33	15	43.82	10	8.65	10	2.13
<b>Total non current assets</b>	<b>6,579</b>	<b>1.36</b>	<b>6,491</b>	<b>(1.70)</b>	<b>6,603</b>	<b>21.34</b>	<b>5,442</b>	<b>8.33</b>	<b>5,023</b>	<b>11.10</b>
<b>CURRENT ASSETS</b>										
Stores, spare parts and loose tools	308	2.85	300	(26.31)	407	12.74	361	29.86	278	(14.20)
Stock-in-trade	3,970	71.94	2,309	(8.26)	2,517	7.56	2,340	27.45	1,836	(9.51)
Trade debts	2,541	11.66	2,276	24.76	1,824	50.62	1,211	(4.57)	1,269	24.66
Loans and advances	100	27.89	78	10.13	71	(20.94)	90	(5.47)	95	28.38
Trade deposits and short term prepayments	6	36.26	4	116.50	2	33.33	2	67.60	1	(36.07)
Other receivables	96	90.11	51	(0.88)	51	(15.42)	60	(24.63)	80	(21.57)
Investments	3	(88.51)	26	8.83	24	566.67	4	(28.00)	5	(20.63)
Deposit for shares	-	-	-	-	-	-	-	-	-	-
Taxation - net	219	(32.14)	323	(5.64)	342	3.32	331	2.16	324	(0.31)
Tax refunds due from Government	5	(0.60)	5	0.60	5	(96.24)	133	77.33	75	(64.45)
Cash and bank balances	43	(2.89)	44	8.00	41	36.67	30	57.89	19	(29.63)
<b>Total current assets</b>	<b>7,291</b>	<b>34.64</b>	<b>5,416</b>	<b>2.49</b>	<b>5,284</b>	<b>15.85</b>	<b>4,561</b>	<b>14.55</b>	<b>3,982</b>	<b>(3.30)</b>
<b>Total assets</b>	<b>13,871</b>	<b>16.50</b>	<b>11,906</b>	<b>0.16</b>	<b>11,887</b>	<b>18.84</b>	<b>10,003</b>	<b>11.08</b>	<b>9,005</b>	<b>4.24</b>
<b>CURRENT LIABILITIES</b>										
Trade and other payables	1,712	83.40	934	(16.13)	1,113	46.45	760	15.32	659	13.43
Unpaid dividend	0	-	0	(99.99)	4	925.64	0.4	-	-	-
Unclaimed dividend	9	0.08	9	(1.26)	9	8.75	8	(3.96)	8	5.44
Accrued mark-up and interest	180	57.41	114	(50.50)	231	62.68	142	(39.78)	236	19.70
Short term borrowings	5,198	26.86	4,097	(3.86)	4,262	12.75	3,780	14.57	3,299	(3.81)
Current portion of non-current liabilities	742	(11.64)	840	203.16	277	(34.82)	425	32.27	321	(33.62)
<b>Total current liabilities</b>	<b>7,841</b>	<b>30.82</b>	<b>5,994</b>	<b>1.66</b>	<b>5,896</b>	<b>15.25</b>	<b>5,115</b>	<b>13.08</b>	<b>4,524</b>	<b>(3.75)</b>
<b>WORKING CAPITAL</b>	<b>(549)</b>	<b>(4.95)</b>	<b>(578)</b>	<b>(5.53)</b>	<b>(612)</b>	<b>10.38</b>	<b>(554)</b>	<b>2.29</b>	<b>(542)</b>	<b>(6.94)</b>
<b>TOTAL CAPITAL EMPLOYED</b>	<b>6,030</b>	<b>1.98</b>	<b>5,913</b>	<b>(1.31)</b>	<b>5,991</b>	<b>22.58</b>	<b>4,888</b>	<b>9.07</b>	<b>4,481</b>	<b>13.76</b>
<b>NON CURRENT LIABILITIES</b>										
Sub-ordinated loan	-	-	-	-	-	-	-	(100.00)	608	15.89
Long term financing	1,128	(30.34)	1,619	(29.22)	2,288	61.24	1,419	16.24	1,221	41.29
Liabilities against assets subject to finance lease	9	(61.81)	23	(22.76)	30	(25.60)	40	76.19	23	34.62
Deferred income - government grant	22	778.61	3	-	5	-	-	-	-	-
Long term deposits	13	56.55	8	(23.64)	11	42.86	8	12.46	7	36.94
Staff retirement benefits - gratuity	252	18.46	213	31.24	162	19.59	135	15.26	118	(12.95)
Deferred taxation - net	675	79.27	376	12.66	334	288.01	86	(16.38)	103	(14.22)
<b>Total Non current liabilities</b>	<b>2,099</b>	<b>(6.41)</b>	<b>2,242</b>	<b>(20.75)</b>	<b>2,830</b>	<b>67.57</b>	<b>1,689</b>	<b>(18.79)</b>	<b>2,079</b>	<b>24.81</b>
<b>Net worth</b>	<b>3,932</b>	<b>7.11</b>	<b>3,670</b>	<b>16.09</b>	<b>3,162</b>	<b>(1.16)</b>	<b>3,199</b>	<b>33.19</b>	<b>2,402</b>	<b>5.66</b>
<b>Net worth represented by:</b>										
Issued, subscribed and paid-up capital	264	-	264	-	264	-	264	-	264	-
Reserves	2,397	15.49	2,075	37.90	1,505	(31.42)	2,194	60.99	1,363	3.66
Surplus on revaluation of PPE	1,271	(4.49)	1,331	(4.42)	1,392	88.16	740	(4.49)	775	11.61
	3,932	7.13	3,670	16.08	3,161	(1.17)	3,199	33.18	2,402	5.66
<b>Total liabilities</b>	<b>13,871</b>	<b>16.50</b>	<b>11,906</b>	<b>0.16</b>	<b>11,887</b>	<b>18.84</b>	<b>10,003</b>	<b>11.08</b>	<b>9,005</b>	<b>4.24</b>

# VERTICAL ANALYSIS

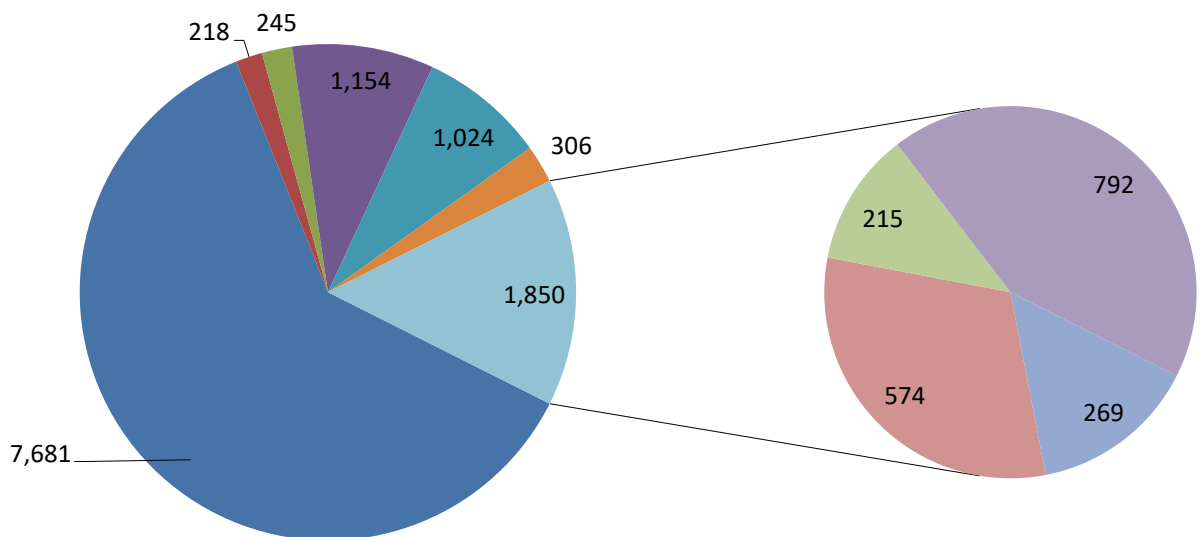
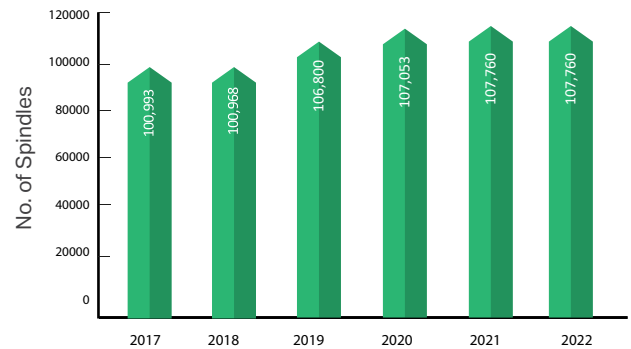
	2022	%	2021	%	2020	%	2019	%	2018	%
<b>Operating Results</b>										
Sales-net	12,665	100.00	10,647	100.00	7,651	100.00	8,976	100.00	7,852	100.00
Cost of sales	10,304	81.36	8,755	82.23	7,014	91.67	7,938	88.44	6,997	89.11
<b>Gross Profit</b>	<b>2,361</b>	<b>18.64</b>	<b>1,892</b>	<b>17.77</b>	<b>637</b>	<b>8.33</b>	<b>1,038</b>	<b>11.56</b>	<b>855</b>	<b>10.89</b>
Distribution cost	256	2.02	209	1.96	167	2.18	143	1.59	145	1.85
Administrative expenses	318	2.51	279	2.62	244	3.18	213	2.37	197	2.51
Other operating expenses	215	1.70	87	0.82	11	0.14	16	0.18	11	0.14
Finance Cost	792	6.25	666	6.26	856	11.18	595	6.63	385	4.90
Exchange fluctuation gain / (loss)	5	0.04	3	0.03	5	0.06	72	0.80	77	0.98
Other operating income	72	0.57	38	0.36	11	0.14	921	10.26	10	0.13
<b>Profit / (Loss) before taxation</b>	<b>857</b>	<b>6.77</b>	<b>692</b>	<b>6.50</b>	<b>(624)</b>	<b>(8.16)</b>	<b>919</b>	<b>10.24</b>	<b>50</b>	<b>0.64</b>
Provision for taxation	575	4.54	165	1.55	48	0.63	89	0.99	4	0.06
<b>Profit / (Loss) for the year</b>	<b>282</b>	<b>2.23</b>	<b>527</b>	<b>4.95</b>	<b>(672)</b>	<b>(8.79)</b>	<b>830</b>	<b>9.25</b>	<b>46</b>	<b>0.58</b>
<b>Balance Sheet</b>										
<b>NON CURRENT ASSETS</b>										
Property, plant and equipment	6,514	46.96	6,433	54.04	6,552	55.12	5,400	53.98	4,992	55.44
Intangible assets	-	-	2	0.02	4	0.03	7	0.07	9	0.11
Long term investments	12	0.09	12	0.10	12	0.10	3	0.02	-	-
Long term loans	21	0.15	19	0.16	20	0.17	22	0.22	12	0.13
Long term deposits	32	0.23	24	0.20	15	0.13	10	0.10	10	0.11
<b>Total non current assets</b>	<b>6,579</b>	<b>47.43</b>	<b>6,491</b>	<b>54.52</b>	<b>6,603</b>	<b>55.55</b>	<b>5,442</b>	<b>54.40</b>	<b>5,023</b>	<b>55.78</b>
<b>CURRENT ASSETS</b>										
Stores, spare parts and loose tools	308	2.22	300	2.52	407	3.42	361	3.61	278	3.09
Stock-in-trade	3,970	28.62	2,309	19.39	2,517	21.17	2,340	23.39	1,836	20.39
Trade debts	2,541	18.32	2,276	19.11	1,824	15.34	1,211	12.11	1,269	14.09
Loans and advances	100	0.72	78	0.66	71	0.60	90	0.90	95	1.05
Trade deposits and short term prepayments	6	0.04	4	0.03	2	0.02	2	0.01	1	0.01
Other receivables	96	0.69	51	0.43	51	0.43	60	0.60	80	0.89
Investments	3	0.02	26	0.22	24	0.20	4	0.04	5	0.06
Deposit for shares	-	-	-	-	-	-	-	-	-	-
Taxation - net	219	1.58	323	2.71	342	2.88	331	3.31	324	3.60
Tax refunds due from Government	5	0.04	5	0.04	5	0.04	133	1.33	75	0.83
Cash and bank balances	43	0.31	44	0.37	41	0.34	30	0.30	19	0.21
<b>Total current assets</b>	<b>7,292</b>	<b>52.57</b>	<b>5,415</b>	<b>45.48</b>	<b>5,284</b>	<b>44.45</b>	<b>4,561</b>	<b>45.60</b>	<b>3,982</b>	<b>44.22</b>
<b>Total assets</b>	<b>13,871</b>	<b>100.00</b>	<b>11,906</b>	<b>100.00</b>	<b>11,887</b>	<b>100.00</b>	<b>10,003</b>	<b>100.00</b>	<b>9,005</b>	<b>100.00</b>
<b>CURRENT LIABILITIES</b>										
Trade and other payables	1,712	12.34	934	7.84	1,113	9.36	760	7.60	659	7.32
Unpaid dividend	0	0.00	0	0.00	4	0.03	0.4	0.00	-	-
Unclaimed dividend	9	0.06	9	0.07	9	0.08	8	0.08	8	0.09
Accrued mark-up and interest	180	1.30	114	0.96	231	1.94	142	1.42	236	2.62
Short term borrowings	5,198	37.47	4,097	34.42	4,262	35.86	3,780	37.79	3,299	36.64
Current portion of non-current liabilities	742	5.35	840	7.05	277	2.33	425	4.25	321	3.57
<b>Total current liabilities</b>	<b>7,840</b>	<b>56.52</b>	<b>5,994</b>	<b>50.34</b>	<b>5,896</b>	<b>49.60</b>	<b>5,115</b>	<b>51.14</b>	<b>4,524</b>	<b>50.24</b>
<b>WORKING CAPITAL</b>	<b>(549)</b>	<b>(3.96)</b>	<b>(579)</b>	<b>(4.86)</b>	<b>(612)</b>	<b>(5.15)</b>	<b>(554)</b>	<b>(5.54)</b>	<b>(542)</b>	<b>(6.02)</b>
<b>TOTAL CAPITAL EMPLOYED</b>	<b>6,030</b>	<b>43.48</b>	<b>5,912</b>	<b>49.66</b>	<b>5,991</b>	<b>50.40</b>	<b>4,888</b>	<b>48.86</b>	<b>4,481</b>	<b>49.77</b>
<b>NON CURRENT LIABILITIES</b>										
Sub-ordinated loan	-	-	-	-	-	-	-	-	608	6.75
Long term financing	1,128	8.13	1,619	13.60	2,288	19.25	1,419	14.19	1,221	13.56
Liabilities against assets subject to finance lease	9	0.06	23	0.19	30	0.25	40	0.40	23	0.26
Deferred income - government grant	22	0.16	3	0.03	5	0.04	-	-	-	-
Long term deposits	13	0.09	8	0.07	11	0.09	8	0.08	7	0.08
Staff retirement benefits - gratuity	252	1.82	213	1.79	162	1.36	135	1.35	118	1.31
Deferred taxation - net	675	4.86	376	3.16	334	2.81	86	0.86	103	1.15
<b>Total Non current liabilities</b>	<b>2,099</b>	<b>15.13</b>	<b>2,242</b>	<b>18.83</b>	<b>2,829</b>	<b>23.80</b>	<b>1,689</b>	<b>16.88</b>	<b>2,080</b>	<b>23.10</b>
<b>Net worth</b>	<b>3,932</b>	<b>28.35</b>	<b>3,670</b>	<b>30.83</b>	<b>3,162</b>	<b>26.60</b>	<b>3,199</b>	<b>31.98</b>	<b>2,401</b>	<b>26.66</b>
<b>Net worth represented by:</b>										
Issued, subscribed and paid-up capital	264	1.90	264	2.22	264	2.22	264	2.64	264	2.93
Reserves	2,397	17.28	2,075	17.43	1,505	12.66	2,194	21.94	1,363	15.14
Surplus on revaluation of PPE	1,271	9.16	1,331	11.18	1,392	11.71	740	7.40	774	8.60
	3,932	28.35	3,670	30.83	3,161	26.60	3,199	31.98	2,401	26.66
<b>Total liabilities</b>	<b>13,871</b>	<b>100.00</b>	<b>11,906</b>	<b>100.00</b>	<b>11,887</b>	<b>100.00</b>	<b>10,003</b>	<b>100.00</b>	<b>9,005</b>	<b>100.00</b>

# GRAPHICAL ANALYSIS

## Net Worth



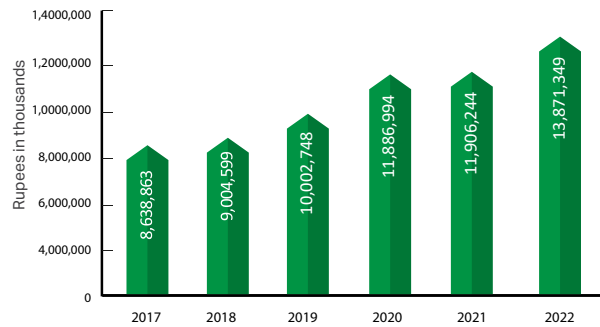
## Spindles Installed



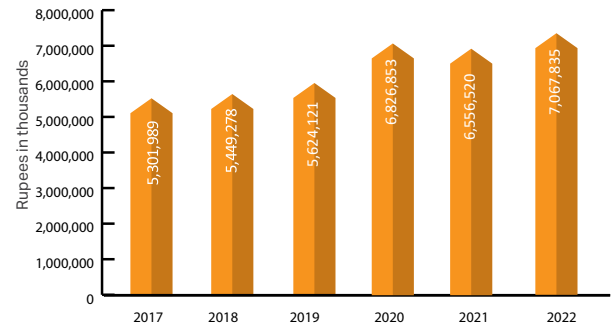
■ Raw materials consumed 
 ■ Packing materials consumed 
 ■ Dyes and chemical consumed 
 ■ Salaries, wages and benefits 
 ■ Power and fuel 
 ■ Depreciation & Amortization 
 ■ Other manufacturing overheads 
 ■ Administrative and Distribution expenses 
 ■ Other expenses 
 ■ Finance cost



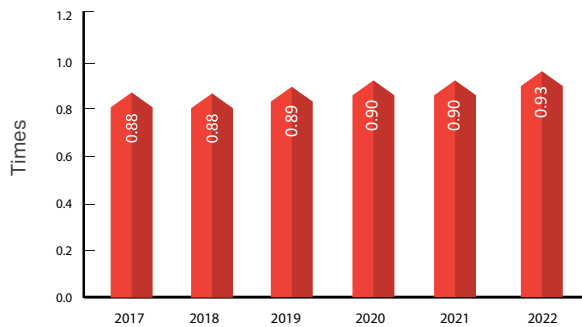
## Total Assets



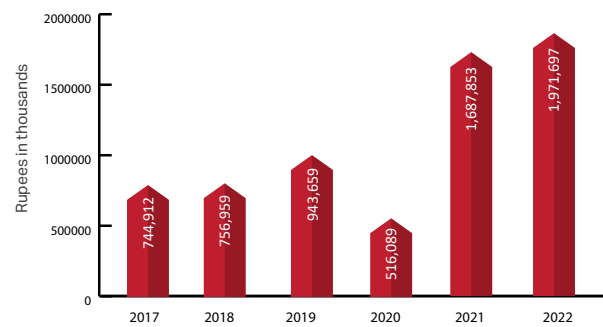
## Total debt



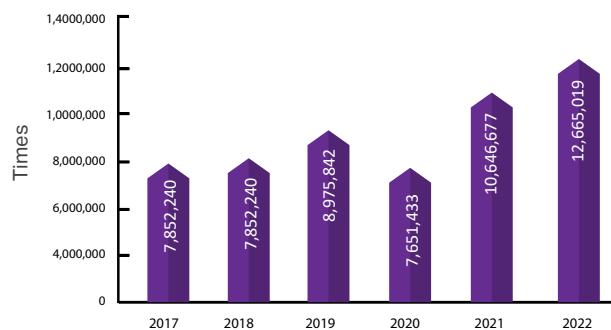
## Current Ratio



## EBITDA



## Total Sales



## PATTERN OF SHAREHOLDINGS

As at June 30, 2022

Number of ShareHolders	Shareholdings			Total Number of Share Held	Percentage of Total Capital
	From	-	To		
364	1	-	100	16,495	0.06
433	101	-	500	120,223	0.46
161	501	-	1000	135,553	0.51
263	1001	-	5000	552,095	2.09
53	5001	-	10000	416,596	1.58
15	10001	-	15000	180,417	0.68
7	15001	-	20000	125,567	0.48
10	20001	-	25000	231,451	0.88
9	25001	-	30000	262,000	0.99
3	30001	-	35000	98,926	0.37
4	35001	-	40000	155,000	0.59
1	40001	-	45000	44,000	0.17
5	45001	-	50000	250,000	0.95
4	50001	-	55000	212,500	0.80
1	55001	-	60000	60,000	0.23
2	65001	-	70000	137,000	0.52
1	70001	-	75000	71,000	0.27
1	80001	-	85000	83,500	0.32
1	100001	-	105000	101,500	0.38
2	105001	-	110000	217,129	0.82
1	110001	-	115000	111,360	0.42
1	120001	-	125000	120,500	0.46
2	125001	-	130000	255,450	0.97
1	140001	-	145000	141,000	0.53
3	145001	-	150000	450,000	1.70
2	180001	-	185000	365,456	1.38
1	215001	-	220000	217,000	0.82
2	220001	-	225000	450,000	1.70
1	285001	-	290000	288,159	1.09
1	295001	-	300000	299,215	1.13
1	350001	-	355000	350,650	1.33
1	355001	-	360000	360,000	1.36
1	435001	-	440000	437,286	1.66
1	445001	-	450000	450,000	1.70
1	660001	-	665000	664,500	2.52
1	720001	-	725000	720,946	2.73
1	795001	-	800000	798,600	3.02
1	800001	-	805000	800,087	3.03
1	1030001	-	1035000	1,031,848	3.91
1	1530001	-	1535000	1,532,871	5.80
1	13095001	-	13100000	13,097,000	49.59
<b>1,366</b>				<b>26,412,880</b>	<b>100.00</b>

## PATTERN OF SHAREHOLDINGS

As at June 30, 2022

Sr. #	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	7	6,808	0.0258
2	Associated Companies, Undertakings and Related Parties	1	13,097,000	49.5857
3	NIT and ICP	2	128,678	0.4872
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,184	0.0045
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	8	1,896,811	7.1814
7	General Public (Local)	1,323	10,035,369	37.9942
8	Others	22	215,182	0.8147
	<b>TOTAL:</b>	<b>1,366</b>	<b>26,412,880</b>	<b>100.0000</b>

# PATTERN OF SHAREHOLDINGS

As at June 30, 2022

Sr. No	Name Of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive Officer, and their spouse and minor children</b>			
1	MR. SOHAIL HUSSAIN HYDARI	500	0.0019
2	MR. RASHID IBRAHIM	500	0.0019
3	MR. MUHAMMAD DANISH	500	0.0019
4	RANA MUHAMMAD SHAFI	808	0.0019
5	MR. ASSAD SAIFULLAH KHAN	500	0.0019
6	MS.HOOR YOUSAFZAI	500	0.0019
7	MR. OSMAN SAIFULLAH KHAN	3,500	0.0133
<b>Running Total:</b>		<b>6,808</b>	<b>0.0258</b>
<b>Associated Companies, Undertakings and Related Parties</b>			
1	SAIF HOLDINGS LTD.	13,097,000	49.5857
<b>Running Total:</b>		<b>13,097,000</b>	<b>49.5857</b>
<b>NIT and ICP</b>			
1	NATIONAL BANK OF PAKISTAN	127,450	0.4825
2	INVESTMENT CORP OF PAKISTAN	1,228	0.0046
<b>Running Total:</b>		<b>128,678</b>	<b>0.4872</b>
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>			
1	NATIONAL BANK OF PAKISTAN	1,129	0.0043
2	ATLAS BOT INVESMENT BANK LTD.	55	0.0002
<b>Running Total:</b>		<b>1,184</b>	<b>0.0045</b>
<b>Insurance Companies</b>			
1	STATE LIFE INSURANCE CORP. OF PAKISTAN	1,031,848	3.9066
<b>Running Total:</b>		<b>1,031,848</b>	<b>3.9066</b>
<b>Modarbas and Mutual Funds</b>			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,532,871	5.8035
2	CDC - TRUSTEE GOLDEN ARROW STOCK FUND	217,000	0.8216
3	CRESCENT STANDARD MODARABA	14	0.0001
4	FIRST I.B.L. MODARABA	977	0.0037
5	CDC - TRUSTEE AKD OPPORTUNITY FUND	141,000	0.5338
6	GOLDEN ARROW SELECTED STOCK FUND LIMITED	215	0.0008
7	FIRST INTER FUND MODARABA	65	0.0002
8	FIRST UDL MODARABA	4,669	0.0177
<b>Running Total:</b>		<b>1,896,811</b>	<b>7.1814</b>
<b>General Public (Local)</b>			
<b>Running Total:</b>		<b>10,035,369</b>	<b>37.9942</b>

## PATTERN OF SHAREHOLDINGS

As at June 30, 2022

S NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage
<b>Others</b>			
1	KTRADE SECURITIES LIMITED	1	0.0000
2	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	210	0.0008
3	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	105	0.0004
4	FIKREES (PRIVATE) LIMITED	500	0.0019
5	JAVED OMER VOHRA & CO. LTD.	8,758	0.0332
6	THE NORTHERN TRUST COMPANY	100	0.0004
7	EASTMAN CONSULTING (PVT) LTD.	50	0.0002
8	MORGAN STANLEY TRUST CO.	100	0.0004
9	TAURUS SECURITIES LIMITED	100	0.0004
10	FORTUNE SECURITIES LIMITED	200	0.0008
11	KHADIM ALI SHAH BUKHARI & CO. LIMITED	80	0.0003
12	BMA CAPITAL MANAGEMENT LTD.	344	0.0013
13	INTERNATIONAL SECURITIES LTD.	118	0.0004
14	SARFRAZ MAHMOOD (PRIVATE) LTD	500	0.0019
15	PYRAMID INVESTMENTS (PVT) LTD.	495	0.0019
16	MAPLE LEAF CAPITAL LIMITED	1	0.0000
17	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	183,956	0.6965
18	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND	6,455	0.0244
19	S.H. BUKHARI SECURITIES (PVT) LIMITED	500	0.0019
20	RS PUBLISHERS (PRIVATE) LIMITED	11,500	0.0435
21	PRUDENTIAL SECURITIES LIMITED	26	0.0001
22	Y.S. SECURITIES & SERVICES (PVT) LTD.	1,083	0.0041
<b>Running Total:</b>		<b>215,182</b>	<b>0.8147</b>
<b>Grand Total:</b>		<b>26,412,880</b>	<b>100.0000</b>

### Shareholders Holding 5% or more voting rights:

SAIF HOLDINGS LTD.	13,097,000	49.5857
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,532,871	5.8035
	<b>14,629,871</b>	<b>55.3892</b>



# STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Saif Textile Mills Limited for the Year Ended June 30, 2022

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

1. The total number of directors are Seven (07) as per the following:

Directors	Numbers
a) Male	06
b) Female	01

2. The composition of Board is as follows:

S.No	Category	Names
a.	Independent Directors*	Mr. Rashid Ibrahim
		Mr. Muhammad Danish
b.	Non-executive Directors	Ms. Hoor Yousafzai
		Mr. Assad Saifullah Khan
		Rana Muhammad Shafi
		Mr. Sohail Hussain Hydari
c.	Executive Director	Mr. Osman Saifullah Khan
d.	Female Director	Ms. Hoor Yousafzai

\*Fractional requirement for independent directors has not been rounded up as one and presently the Company has two independent directors. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, therefore, the appointment of a third independent director is not warranted.

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

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. None of the directors attended any Directors' Training Program during the year;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

<b>a)</b>	<b>Audit Committee</b>	
	Mr. Rashid Ibrahim	Chairman
	Rana Muhammad Shafi	Member
	Mr. Sohail Hussain Hydari	Member
<b>b)</b>	<b>HR and Remuneration Committee</b>	
	Mr. Muhammad Danish	Chairman
	Ms. Hoor Yousafzai	Member
	Mr. Assad Saifullah Khan	Member

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

**14.** The frequency of meetings of the committee during the year 2021-22, were as per following:

**a) Audit Committee** - Four (04) Meetings

**b) Human Resource and Remuneration Committee** - Two (02) Meeting

**15.** The Board has set up an effective internal audit function and the persons assigned the responsibilities are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

**16.** The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality

Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) 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 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.** We confirm that all the 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**



**OSMAN SAIFULLAH KHAN**

Chairman

**Place:** Islamabad

**Dated:** September 30, 2022

# INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

## Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of SAIF TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2022 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, 2022.

*Shinewing Hameed Chaudhri & Co.*

**SHINEWING HAMEED CHAUDHRI & CO.,**

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Osman Hameed Chaudhri

Lahore : 30 September, 2022

UDIN : CR202210104LPX4RuI3Q

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of SAIF TEXTILE MILLS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss and 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, statement of profit or loss and 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, 2022 and of the profit and 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.

### Emphasis of Matter

We draw attention to note 17.1.2 to these financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess (GIDC) aggregating Rs.850.542 million demanded by Sui Northern Gas Pipelines Limited. Our report is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p><b>Contingencies</b></p> <p>The Company is subject to material litigations including GIDC, taxation and other matters at different courts which require management to make assessment and judgements with respect to likelihood and impact of such litigations on the financial statements of the Company.</p> <p>The details of contingencies including that relating to GIDC 2015 and the Supreme Court (SC) decision regarding the same along with management's assessment thereon are disclosed in note 17 to the financial statements.</p> <p>Management engaged independent legal consultants on these matters. The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to the magnitude of amount involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Discussed legal cases with the legal department to understand the management's view point and obtained management's assessment regarding their implications on the Company;</li> <li>- Obtained independent opinion of legal advisors dealing with such cases in the form of confirmations;</li> <li>- Examined legal expense ledgers to assess any litigations or claims which may result in material misstatement of the financial statements;</li> <li>- Reviewed the documents for legal and tax proceedings maintained by the management, including Judgements passed by the SC and study the related provision of the GIDC Act, 2015;</li> <li>- Evaluated all the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets; and</li> <li>- Assessed the disclosures of legal exposures and provisions for completeness and accuracy.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
2.	<p><b>Valuation of stock-in-trade</b></p> <p>The total value of stock in trade as at the reporting date amounted to Rs.3.970 billion, representing 28.63% of the Company's total current assets. Stock in trade as at reporting date included raw material and finished goods. Refer note 23 to the financial statements.</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> <li>- assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards;</li> <li>- attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data;</li> <li>- assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis;</li> <li>- tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories;</li> <li>- assessed the management determination of NRV of raw material thereon by performing tests on the subsequent purchase price; and</li> <li>- tested the cost of inventories for finished goods and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices.</li> </ul>



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
3.	<p><b>Revenue recognition</b></p> <p>The principal activity of the Company is to manufacture and sale of yarn. Revenue from sale of goods is recognised as or when performance obligations are satisfied by transferring control of promised goods to customer, and control is transferred at a point in time. Revenue is measured at fair value of the consideration received or receivable and the payment is typically due on the satisfaction of performance obligation.</p> <p>We considered revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company and due to the reason that revenue increased significantly as compared to last year. In addition, revenue was also considered as an area of significant audit risk as part of the audit process.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- assessed the design, implementation and operating effectiveness of the key internal controls involved in revenue recognition;</li> <li>- performed testing of revenue transactions on a sample basis with underlying documentation including dispatch documents and sales invoices;</li> <li>- tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue was recognised in the correct period;</li> <li>- performed audit procedures to analyse variation in the price and quantity sold during the year;</li> <li>- performed recalculations of discounts as per the Company's policy on test basis;</li> <li>- understood and evaluated the accounting policy with respect to revenue recognition; and</li> <li>- assessed the adequacy of disclosures made in the financial statements related to revenue.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

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

Management is responsible for the other information, which 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.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 judgement 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 year 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 and 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 Osman Hameed Chaudhri.

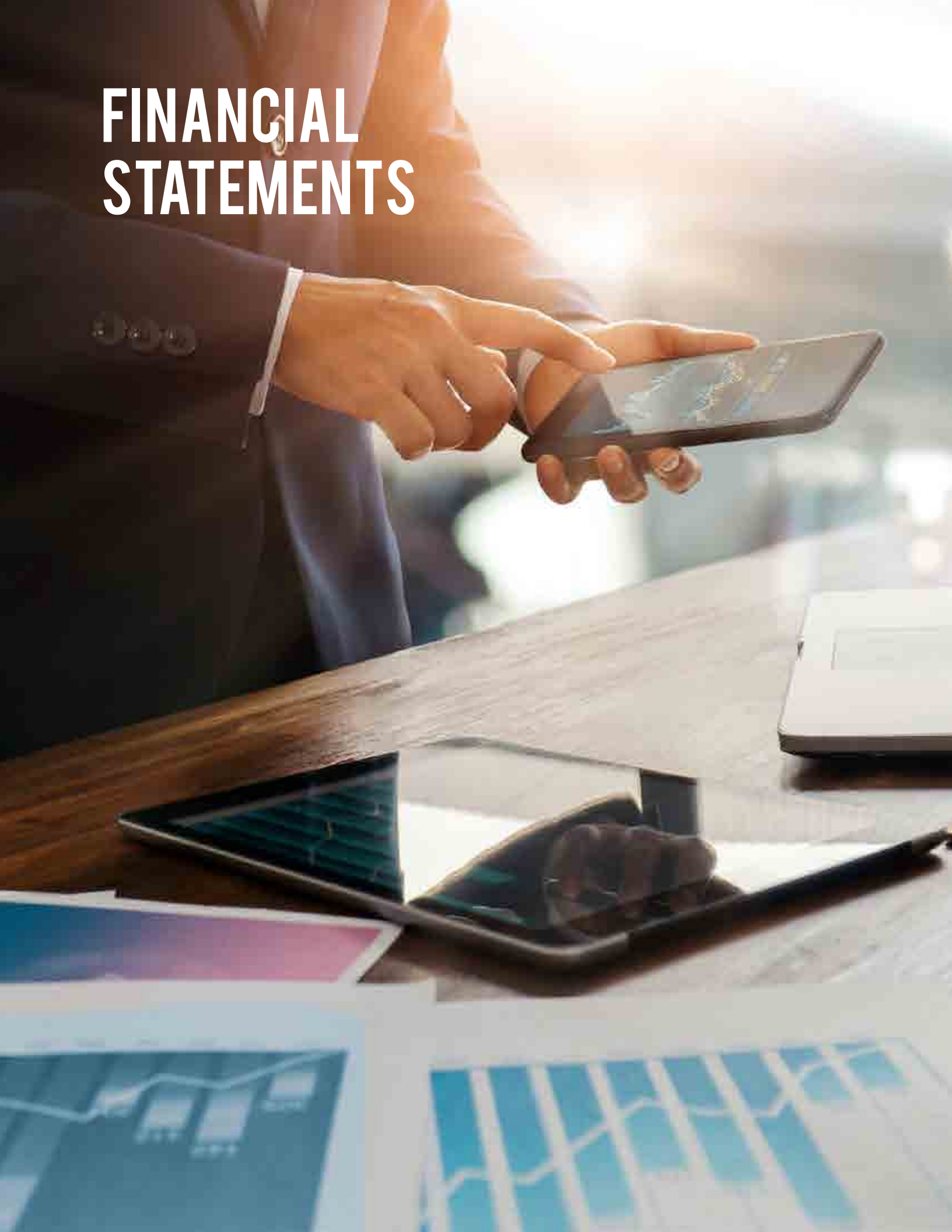
*Shinewing Hameed Chaudhri & Co.*

**SHINEWING HAMEED CHAUDHRI & CO.,**  
CHARTERED ACCOUNTANTS

Lahore : 30 September, 2022

UDIN : AR202210104kucXAdJEe

# FINANCIAL STATEMENTS



# STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

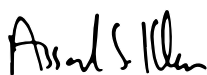
		2022	2021
	Note	Rupees in '000	
<b>Equity and Liabilities</b>			
<b>Share Capital and Reserves</b>			
<b>Authorised capital</b>			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid-up capital	4	264,129	264,129
Reserves	5	265,856	265,831
Unappropriated profit		2,131,038	1,809,617
Surplus on revaluation of property, plant and equipment	6	1,270,734	1,330,535
<b>Total Shareholders' equity</b>		<b>3,931,757</b>	<b>3,670,112</b>
<b>Non-current Liabilities</b>			
Long term financing	7	1,128,064	1,619,373
Lease liabilities	8	8,852	23,173
Deferred income - government grant	9	22,218	2,529
Long term deposits	10	13,154	8,041
Staff retirement benefits - gratuity	11	251,868	212,613
Deferred taxation - net	12	674,622	376,302
		<b>2,098,778</b>	<b>2,242,031</b>
<b>Current Liabilities</b>			
Trade and other payables	13	1,711,994	933,523
Unpaid dividend		486	486
Unclaimed dividend		8,597	8,593
Accrued mark-up and interest	14	179,966	114,352
Short term borrowings	15	5,198,125	4,097,397
Current portion of non-current liabilities	16	741,646	839,750
		<b>7,840,814</b>	<b>5,994,101</b>
		<b>9,939,592</b>	<b>8,236,132</b>
<b>Contingencies and Commitments</b>	17		
		<b>13,871,349</b>	<b>11,906,244</b>

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



**NADIA BILAL**

Chief Executive Officer



**ASSAD SAIFULLAH KHAN**

Director



**MUHAMMAD FAISSAL RAZA**

Chief Financial Officer

# STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

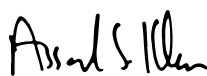
		2022	2021
	Note	Rupees in '000	
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	18	6,513,614	6,433,338
Intangible assets	19	-	1,704
Long term investments	20	12,375	12,350
Long term loans	21	20,719	19,429
Long term deposits		32,472	23,905
		6,579,180	6,490,726
<b>Current Assets</b>			
Stores, spare parts and loose tools	22	308,449	299,934
Stock-in-trade	23	3,970,056	2,308,744
Trade debts	24	2,541,097	2,275,615
Loans and advances	25	99,918	78,199
Trade deposits and short term prepayments	26	5,920	4,334
Other receivables	27	96,180	50,554
Short term investments	28	3,002	26,123
Deposit for shares	29	-	-
Taxation - net	30	219,432	322,703
Tax refunds due from Government	31	5,034	5,034
Cash and bank balances	32	43,081	44,278
		7,292,169	5,415,518
		13,871,349	11,906,244

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



**NADIA BILAL**

Chief Executive Officer



**ASSAD SAIFULLAH KHAN**

Director



**MUHAMMAD FAISSAL RAZA**

Chief Financial Officer



# STATEMENT OF PROFIT OR LOSS

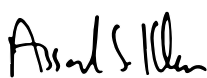
For the Year Ended June 30, 2022

		2022	2021
	Note	Rupees in '000	
Sales - net	33	12,665,019	10,646,677
Cost of sales	34	(10,304,090)	(8,755,026)
<b>Gross profit</b>		<b>2,360,929</b>	<b>1,891,651</b>
Distribution cost	35	(256,040)	(208,704)
Administrative expenses	36	(317,691)	(278,953)
Other income	37	72,121	38,051
Other expenses	38	(215,071)	(86,799)
<b>Profit from operations</b>		<b>1,644,248</b>	<b>1,355,246</b>
Finance cost - net	39	(792,130)	(666,367)
		852,118	688,879
Exchange fluctuation gain - net	40	5,046	2,505
<b>Profit before taxation</b>		<b>857,164</b>	<b>691,384</b>
Taxation	41	(575,087)	(164,507)
<b>Profit after taxation</b>		<b>282,077</b>	<b>526,877</b>
		<b>----- Rupees -----</b>	
<b>Earnings per share</b> - basic and diluted	42	<b>10.68</b>	<b>19.95</b>

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



**NADIA BILAL**  
Chief Executive Officer



**ASSAD SAIFULLAH KHAN**  
Director



**MUHAMMAD FAISAL RAZA**  
Chief Financial Officer

# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended June 30, 2022

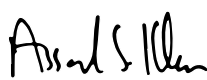
	2022	2021
	Rupees in '000	
<b>Profit after taxation</b>	282,077	526,877
<b>Other comprehensive loss</b>		
<b>Items that will not be reclassified subsequently to statement of profit or loss:</b>		
Loss on re-measurement of staff retirement benefit obligation	(28,310)	(24,731)
Impact of deferred tax	7,853	6,787
	(20,457)	(17,944)
<b>Items that will be reclassified to statement of profit or loss in subsequent periods:</b>		
Unrealised gain / (loss) on remeasurement of investment at fair value through other comprehensive income	25	(100)
<b>Total comprehensive income for the year</b>	<b>261,645</b>	<b>508,833</b>

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



**NADIA BILAL**

Chief Executive Officer



**ASSAD SAIFULLAH KHAN**

Director



**MUHAMMAD FAISAL RAZA**

Chief Financial Officer

# STATEMENT OF CASH FLOWS

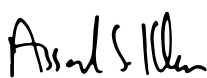
For the Year Ended June 30, 2022

		2022	2021
	Note	Rupees in '000	
<b>Cash generated from operating activities</b>	43	534,744	1,250,898
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment		(439,709)	(223,034)
Sale proceeds of operating fixed assets / insurance claims received		56,205	10,279
Short term investments net		22,097	-
<b>Net cash used in investing activities</b>		(361,407)	(212,755)
<b>Cash flow from financing activities</b>			
Long term financing - obtained		251,683	263,811
- repaid		(818,358)	(369,533)
Lease liabilities		(14,966)	(9,734)
Short term borrowings - net		1,100,728	(164,175)
Finance cost paid		(693,625)	(749,663)
Dividend paid		4	(5,138)
<b>Net cash used in financing activities</b>		(174,534)	(1,034,432)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(1,197)	3,711
<b>Cash and cash equivalents</b> - at beginning of the year		44,278	40,567
<b>Cash and cash equivalents</b> - at end of the year		43,081	44,278

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



**NADIA BILAL**  
Chief Executive Officer



**ASSAD SAIFULLAH KHAN**  
Director



**MUHAMMAD FAISAL RAZA**  
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2022

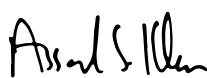
	Share Capital	Reserves				Surplus on revaluation of property, plant and equipment	Total
		Capital	Revenue	Unappropriated profit	Unrealised loss on financial assets at fair value through other comprehensive income		
Rupees in '000							
Balance as at July 01, 2020	264,129	115,981	150,000	1,239,273	(50)	1,391,946	3,161,279
Total comprehensive income for the year ended June 30, 2021							
Profit for the year	-	-	-	526,877	-	-	526,877
Other comprehensive loss	-	-	-	(17,944)	(100)	-	(18,044)
	-	-	-	508,933	(100)	-	508,833
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation):	-	-	-	61,411	-	(61,411)	-
Balance as at June 30, 2021	264,129	115,981	150,000	1,809,617	(150)	1,330,535	3,670,112
Balance as at July 01, 2021	264,129	115,981	150,000	1,809,617	(150)	1,330,535	3,670,112
Total comprehensive income for the year ended June 30, 2022							
Profit for the year	-	-	-	282,077	-	-	282,077
Other comprehensive (loss) / income	-	-	-	(20,457)	25	-	(20,432)
	-	-	-	261,620	25	-	261,645
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):							
- on account of incremental depreciation	-	-	-	58,436	-	(58,436)	-
- upon sale of revalued assets	-	-	-	1,365	-	(1,365)	-
Balance as at June 30, 2022	264,129	115,981	150,000	2,131,038	(125)	1,270,734	3,931,757

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



**NADIA BILAL**

Chief Executive Officer



**ASSAD SAIFULLAH KHAN**

Director



**MUHAMMAD FAISAL RAZA**

Chief Financial Officer

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

### 1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

<b>Sawabi</b>	<b>Purpose</b>
Industrial Estate, Gadoon Amazai	Mills / factory
<b>Peshawar</b>	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
<b>Islamabad</b>	
4 <sup>th</sup> floor, Kashmir Commercial Complex, Fazal Ul Haq Road	Head office
<b>Karachi</b>	
Plot No. 36, New Karachi Cooperative Housing Society Near Dolmen Mall Tariq Road	Marketing & sales office
<b>Faisalabad</b>	
P-17, Near Allied Bank Ltd, Montgomery Bazar,	Marketing & Sales office

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act, differ from the IFRS Standards, the provisions of and directives issued under have been followed.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

has been rounded to the nearest thousand unless otherwise specified.

## 2.4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

### 2.4.1 Standards, amendments to approved accounting standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 01, 2021:

#### (a) IFRS 16 Leases – Rent concessions

Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020 and April 1, 2021. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The Board has extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors. The amendment has no impact on the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2021 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2021 and have not been early adopted by the Company:

#### (a) IAS 37 Onerous contracts

**Effective date:**

**01-01-2022**

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## (b) IAS 16 Proceeds before an asset's intended use

Effective date:

01-01-2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit 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 recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE 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 amendments.

## (c) IAS 1 Disclosure of accounting policies

Effective date:

01-01-2023

Amendments to IAS 1, 'Presentation of Financial Statements' includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

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

### 2.4.3 Critical accounting estimates and Judgements

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. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

#### (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. Useful lives, residual values and depreciation method of property, plant and equipment are stated in notes 3.10 & 18.

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

The Company estimates the net realisable value of stores & spares and stock-in-trade to

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale - note 3.14 & 3.15.

## (c) **Provision for impairment of trade debts**

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years for the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery - note 3.16.

## (d) **Staff retirement benefits - gratuity**

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 3.5 & 11.

## (e) **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 - note 3.7.

## 3. **SIGNIFICANT ACCOUNTING POLICIES**

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

### 3.1 **Borrowings and borrowing cost**

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

Borrowing costs are recognised 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 capitalised as part of the cost of that asset.

### 3.2 **Interest rate and cross currency swaps**

In certain cases, the Company uses interest rate and cross currency swaps to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. The calculation involves use of estimates with regard to mark-up and foreign currency rates, which fluctuate with the market forces.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 3.3 Leases

The Company leases vehicles and office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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 consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 3.4 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 initial carrying 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 identifying the costs for which the benefit of the loan is intended to compensate.

## 3.5 Staff retirement benefits (gratuity)

The Company operates an un-funded staff retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2022 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

## 3.6 Trade and other payables

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

## 3.7 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## (a) Current year

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 finalised during the year.

## (b) Deferred

The Company accounts for deferred taxation using the statement of financial position 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 recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

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.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 3.8 Dividend and appropriation to reserves

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

## 3.9 Financial liabilities

### Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

### Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 3.10 Property, plant and equipment

Leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income 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 18.1. Leasehold land is amortised over the lease term using the straight-line method. 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 operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 3.11 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 initial direct 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. At transition, the Company recognised right of use assets equal to the present value of lease payments.

## 3.12 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 19.

## 3.13 Financial assets

### Initial measurement

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

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

### Subsequent Measurement

#### • *Equity Instruments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

#### • *Debt Instruments at FVTOCI*

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- ***Financial Assets measured at amortised cost***

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

## **Derecognition**

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

### **3.14 Stores, spare parts and loose tools**

Stores, spare parts and loose tools are stated at cost. 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, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

### **3.15 Stock-in-trade**

Basis of valuation are as follows:

#### **Particulars**

#### **Mode of valuation**

Raw materials:

At mills - At lower of moving average cost and market value.

In transit - At cost accumulated to the statement of financial position date.

Work-in-process - At manufacturing cost.

Finished goods - At lower of cost and net realisable value.

Waste - At net realisable 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 moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- Net realisable 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.

## 3.16 Trade debts and other receivables

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

## 3.17 Financial assets 'at fair value through profit or loss'

Financial assets 'at fair value through statement of profit or loss' are marked to market using the closing market rates and are carried on the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to statement of profit or loss in the period in which these arise.

## 3.18 Cash and cash equivalents

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

## 3.19 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

## 3.20 Provisions

Provisions are recognised 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.

## 3.21 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 3.22 Impairment

### (a) Financial assets

The Company assesses on a forward looking basis for the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for calculation of ECL.

For debt instruments measured as FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 3.23 Off-setting of financial assets and liabilities

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 recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

## 3.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

### *Sale of goods*

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- 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 incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

### *Other sources of revenue*

- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

## 3.25 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 49 to these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2022	2021		2022	2021
--- No. of shares ---			--- Rupees in '000 ---	
17,312,468	17,312,468	ordinary shares of Rs.10 each issued for cash	173,125	173,125
9,100,412	9,100,412	ordinary shares of Rs.10 each issued as fully paid bonus shares	91,004	91,004
<u>26,412,880</u>	<u>26,412,880</u>		<u>264,129</u>	<u>264,129</u>

**4.1** Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2022 and 2021.

**4.2** Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of a shareholder.

## 5. RESERVES

	Note	2022	2021
		---- Rupees in '000 ----	
Capital - share premium account	5.1	115,981	115,981
Revenue - general reserve	5.2	150,000	150,000
Unrealized loss on financial assets at fair value through other comprehensive income		(125)	(150)
		<u>265,856</u>	<u>265,831</u>

### 5.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued during the year 1992	26,745	26,745
2,303,569 shares @ Rs.5 per share issued during the year 1996	11,518	11,518
562,019 shares @ Rs.5 per share allotted during the year 1997	2,810	2,810
7,500,000 shares @ Rs.10 per share allotted during the year 2007	75,000	75,000
	<u>116,073</u>	<u>116,073</u>
Less: preliminary expenses written-off during the year 1992	92	92
	<u>115,981</u>	<u>115,981</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

**5.1.1** This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued. This reserve can only be utilised for purposes specified in section 81 of the Companies Act, 2017.

**5.2** This represents reserves funds set aside from unappropriated profit.

## **6. SURPLUS ON REVALUATION OF PROPERTY,**

### **PLANT AND EQUIPMENT - net**

**6.1** The Company had revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air conditioning equipment during the financial years ended 2006, 2009, 2016, 2018 and 2020. These fixed assets were revalued by independent Valuers on the basis of market value / depreciated market values.

**6.2** The latest revaluation exercise was carried-out by M/s. MYK Associates (Pvt.) Ltd. (Independent Values and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation has been credited to this account.

	<b>Note</b>	<b>2022</b> ---- Rupees in '000 ----	<b>2021</b>
<b>Opening balance</b>		1,330,535	1,391,946
Less: transferred to unappropriated profit on account of (net of deferred taxation):			
- incremental depreciation for the year		58,436	61,411
- upon sale of revalued assets		1,365	-
<b>Closing balance</b>		<u>1,270,734</u>	<u>1,330,535</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

		2022	2021
	Note	----- Rupees in '000 -----	
<b>7. LONG TERM FINANCING - Secured</b>			
<b>United Bank Limited (UBL)</b>			
- demand finance - I	7.1	-	37,500
- demand finance - II	7.2	61,064	82,851
- long term finance facility (LTFF)	7.2	268,348	345,911
<b>The Bank of Punjab (BoP)</b>			
- term finance	7.3	121,500	192,500
<b>Habib Bank Limited (HBL)</b>			
- demand finance - I	7.4	39,919	88,517
- demand finance - II	7.5	67,863	87,823
- term loan	7.6	17,035	19,469
- long term finance facility (LTFF)	7.7	139,896	178,723
<b>Soneri Bank Limited (SBL)</b>			
- term finance	7.8	1,005	20,325
<b>Askari Bank Limited (ABL)</b>			
- diminishing musharakah	7.9	47,527	64,392
<b>Dubai Islamic Bank Pakistan Limited (DIBPL)</b>			
- islamic finance facility - I	7.10	26,667	53,333
- islamic finance facility - II	7.11	24,650	29,000
- islamic finance facility - III	7.12	88,671	113,884
- diminishing musharakah (ITERF)	7.13	121,283	-
<b>The Bank of Khyber (BoK)</b>			
- demand finance	7.14	180,000	240,000
Carried Forward		<u>1,205,428</u>	<u>1,554,228</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

		2022	2021
	Note	---- Rupees in '000 ----	
Brought forward		1,205,428	1,554,228
<b>JS Bank Limited (JS Bank)</b>			
- demand finance	7.15	147,623	222,623
<b>Sindh Bank Limited (SNDB)</b>			
- demand finance	7.16	28,071	46,786
<b>First Women Bank Limited (FWBL)</b>			
- demand finance	7.17	225,000	285,000
<b>Bank Alfalah Limited (BAFL)</b>			
- diminishing musharakah	7.18	26,250	35,000
- diminishing musharakah			
(under refinance scheme for payment			
of wages and salaries)	7.19	116,733	288,239
<b>Meezan Bank Limited (MBL)</b>			
- diminishing musharakah	7.20	100,000	-
		1,849,105	2,431,876
Less: current portion grouped under current liabilities		721,041	812,503
		1,128,064	1,619,373

**7.1** These finances had been obtained from UBL against a demand finance facility of Rs.100 million. This finance facility carried mark-up at the rate of 3-months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.45% to 10.54% (2021: 8.50% to 8.83%) per annum. This finance facility was secured against joint first pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.700 million.

**7.2** The Company, during the year ended June, 30, 2017, obtained a demand finance facility of Rs.500 million from UBL. During the financial year ended June 30, 2018, the bank converted the said facility in demand finance of Rs.100 million and LTFF under SBP scheme of Rs.400 million. The bank against the demand finance facility, disbursed Rs.100 million in five tranches of different amount and Rs.397.385 million under LTFF in twenty four tranches of different amounts. Each tranche under the finance facilities is repayable in 20 equal quarterly instalments commenced from January, 2018. The demand finance facility carries mark-up at the rate of 3-months KIBOR+125 basis points; where as, LTFF carries mark-up at SBP rate of 2%+3% spread. Effective mark-up rates charged, during the current financial year, on demand finance and LTFF ranged from 8.64% to 14.82% and 5% (2021: 7.92% to 9.98% and 5%) per annum respectively. These finance facilities are secured against first joint pari passu hypothecation charge over present and future fixed and current assets of the Company for Rs.667 million.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 7.3** The BOP, as at June 30, 2020, converted a cash finance facility, already utilised by the Company, of Rs.243 million into a term finance facility of same amount. This finance facility is repayable in 6 equal semi-annual instalments commenced from January, 2021. This finance facility carries mark-up at the rate of 6-months KIBOR + 100 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.69% to 9.55% (2021: 8.24% to 8.28%) per annum payable semi-annually. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.571 million.
- 7.4** These finances have been obtained from HBL against a demand finance facility of Rs.290 million. The bank has disbursed the total amount in five tranches of different amounts and each tranche is repayable in 78 equal monthly installments commenced from January, 2016. This finance facility carries mark-up at the rate of 1-month KIBOR+100 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.51% to 15.40% (2021: 8.14% to 9.14%) per annum. This finance facility is secured against joint first pari passu charge over all present and future moveable and immovable fixed and current assets of the Company and a ranking charge for Rs.386.660 million.
- 7.5** These finances have been obtained from HBL against a demand finance facility of Rs.100 million. The bank, against the said facility, disbursed Rs.99.626 million in twenty tranches of different amounts. The principal balance is repayable in 20 equal quarterly instalments. This finance facility carries mark-up at the rate of 3-months KIBOR+1%; effective mark-up rates charged, during the current financial year, ranged from 8.42% to 12.29% (2021: 8.26% to 9.14%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.134 million over all present and future fixed and current assets of the Company.
- 7.6** These finances have been obtained from HBL against a term loan finance facility of Rs.25 million. The Bank, against the said facility, has disbursed Rs.24.336 million. The principal balance is repayable in 40 equal quarterly instalments commenced from September, 2019. This finance facility carries mark-up at the rate of 3-months KIBOR + 1% ; effective mark-up rate charged, during the current financial year ranged from 8.45% to 12.89% (2021: 8.25% to 8.58%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.34 million over all present and future fixed and current assets of the Company.
- 7.7** These finances have been obtained from HBL against a long term finance facility (LTFF) under SBP scheme of Rs.230 million. The bank, against the said facility, has disbursed Rs.215.433 million in twelve tranches of different amounts. The principal balance is repayable in 20 equal quarterly instalments commenced May, 2021. This finance facility carries mark-up at the rate of SBP rate of 2% +1%; effective mark-up rate charged, during the current financial year, is 3% (2021: 3%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.307 million over all present and future fixed and current assets of the Company.
- 7.8** These finances have been obtained from SBL against a term finance facility of Rs.100 million. The principal balance of this term finance facility is repayable in 10 equal half-yearly instalments commenced from December, 2016. This finance facility carries mark-up at the rate of 6-months KIBOR+100 basis points; effective mark-up rate charged, during the current financial year, ranged from 8.67% to 16.64% (2021: 8.35% to 8.95%) per annum. This finance facility is secured against joint pari passu charge over current and fixed assets of the Company for Rs.133.334 million.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 7.9** These finances have been obtained from ABL against a diminishing musharaka finance facility of Rs.83 million. The bank against the said facility, has disbursed Rs.73.590 million. The principal balance of this finance facility is repayable in 60 equal monthly instalments commenced October, 2020. This finance facility carries profit at the rate of 3-months KIBOR+200 basis points per annum payable monthly basis; effective profit rates charged, during the current financial year, ranged from 9.39% to 12.36% (2021: 9.25% to 9.58%) per annum. This finance facility is secured against joint pari passu charge on current and fixed assets of the Company for Rs.111 million.
- 7.10** These finances have been obtained from DIBPL against an islamic finance facility of Rs.120 million. The principal balance is repayable in 9 equal half-yearly instalments commenced from April, 2018. This finance facility carries profit at the rate of 6-months KIBOR + 1.50%; effective profit rate charged, during the current financial year, ranged from 9.18% to 15.44% (2021: 8.84% to 9.21%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.160 million.
- 7.11** These finances have been obtained from DIBPL against an islamic finance facility of Rs.155 million. The principal balance is repayable in 20 equal quarterly instalments commenced December, 2021. This finance facility carries profit at the rate of 3-months KIBOR+1.50%; effective profit rate charged, during the current financial year, ranged from 8.90% to 16.33% (2021: 8.76% to 9.64%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.214 million.
- 7.12** These finances have been obtained from DIBPL against an islamic finance facility (under SBP scheme) of Rs.126 million. The principal balance is repayable in 20 equal quarterly instalments commenced from January, 2022. This finance facility carries profit at the rate of SBP rate+3.00%; effective profit rate charged, during the current financial year, was 5% (2021: 5%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.214 million.
- 7.13** The Company, during the current financial year, obtained a diminishing musharaka (ITERF) facility of Rs.150 million from DIBPL to finance CAPEX of Auto Cones replacement. The principal balance is repayable in 20 equal quarterly instalments commencing November, 2023. This finance facility carries mark-up at SBP rate of 2% + 4% spread per annum payable quarterly; effective mark-up rate charged, during the current financial year is 6% per annum. This finance facility is secured against first joint pari passu charge of Rs.200 million over present and future current and fixed assets of the Company.
- 7.14** These finances have been obtained from BoK against a demand finance facility of Rs.300 million. The principal balance is repayable in 10 equal quarterly instalments commenced from September, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 1.25%; effective mark-up rates charged, during the current financial year, ranged from 8.94% to 12.71% (2021: 8.49% to 8.60%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.400 million.
- 7.15** These finances have been obtained from JS bank against a demand finance facility of Rs.300 million. The principal balance is repayable in 16 equal quarterly instalments

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

commenced August, 2019. This finance facility carries mark-up at the rate of 1-months KIBOR + 1.50%; effective mark-up rates charged, during the current financial year, ranged from 9.01% to 15.81% (2021: 8.82% to 9.03%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.400 million over all present and future fixed and current assets of the Company.

- 7.16** These finances have been obtained from SNDB against a demand finance facility of Rs.131 million. The principal balance is repayable in 14 equal quarterly instalments commenced from October, 2018. This finance facility carries mark-up at the rate of 3-months KIBOR+2.50%; effective mark-up rates charged, during the current financial year, ranged from 9.55% to 13.69% (2021: 9.76% to 10.01%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.99.811 million over all present and future fixed and current assets of the Company.
- 7.17** These finances have been obtained from FWBL against a demand finance of Rs.300 million. The principal balance is repayable in 20 equal quarterly instalments commenced from April, 2021. This finance facility carries profit at the rate of 3-months KIBOR+1.50%; effective profit rate charged, during the current financial year, ranged from 8.95% to 13.39% (2021: 8.76% to 9.08%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.400 million over all present and future fixed and current assets of the Company.
- 7.18** The Company has arranged an islamic finance facility from BAFL, amounted Rs.35 million. The principal balance is repayable in 16 equal quarterly instalments commenced September, 2021. This finance facility carries profit at the rate of SBP +2.5%; effective profit rate charged, during the current financial year, ranged from 8.95% to 9.30% (2021: 8.76 to 9.08%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.46.667 million over all present and future fixed and current assets of the Company.
- 7.19** The Company, during the financial year ended June 30, 2020, arranged a diminishing musharakah facility of Rs.190.628 million from BAFL under the State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries. During the preceding year this limit of facility was enhanced to Rs.381.256 million. According to conditions of the Scheme, the Company after availing this loan will not lay off its workers / employees at least during the three months from the date of first disbursement. The bank, against the said facility, disbursed Rs.371.619 million. This finance facility is repayable in 8 equal quarterly instalments commenced January, 2021 and carries profit at a reduced rate of 2.5% (2021: 2.5%) per annum, payable on quarterly basis. The finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.508 million.

As the above loan is below-market rate of interest, it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market-related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as Government grant (refer note 9).

- 7.20** The Company, during the current financial year, obtained a diminishing musharakah facility of Rs.100 million from MBL to finance construction of godown under ongoing BMR. The principal balance is repayable in 16 equal quarterly instalments commencing January, 2023. This finance facility carries mark-up at the rate of 3Months KIBOR + 1% per annum payable quarterly; effective mark-up rates charged, during the current financial year ranged from 11.54% to 12.89% per annum. This finance facility is secured against first joint pari passu charge of Rs.133.33 million over present and future fixed assets of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 8. LEASE LIABILITIES

2022  
---- Rupees in '000 ----

2021

Lease liabilities	20,429	37,799
Less: current portion	11,577	14,626
	<u>8,852</u>	<u>23,173</u>

### 8.1.1 Movement of lease liabilities after adoption of / under IFRS 16

Opening balance as at July 01,	37,799	47,533
Addition during the year (leases obtained)	-	17,413
Reassessment due to mark-up rate adjustment	64	(749)
Interest charge for the year	4,012	4,232
Payment made during the year	(19,042)	(25,247)
Derecognized on termination of lease contract	(2,404)	(5,383)
Closing balance as at June 30,	<u>20,429</u>	<u>37,799</u>

### 8.1.2 Maturity analysis of undiscounted lease payments need to be made after the reporting period

Payable less than one year	13,316	17,309
Payable between:		
one to two year	10,004	15,365
two to three year	-	10,885
	<u>23,320</u>	<u>43,559</u>

**8.2** The Company has entered into finance lease arrangements with MCB Bank Ltd., Meezan Bank Ltd., Bank Alfalah Ltd and Dubai Islamic Bank Ltd., for lease of vehicles. The liabilities under the lease agreements are payable in quarterly and monthly installments by April, 2024, and are subject to finance cost at the rates ranging from 9.10% to 17.17% (2021: 8.13% to 10.00%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. The lease finance facilities are secured against title of the leased vehicles in the name of the banks and post dated cheques of all principal installments.

**8.3** The Company has entered into a lease agreement for its head office building having lease term of three years. The lease payments have been discounted using the Company's incremental borrowing rate of 11.26% (2021: 8.87%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 9. DEFERRED INCOME - GOVERNMENT GRANT

	Note	2022 ---- Rupees in '000 ----	2021
Government grant against salaries refinance scheme	9.1	2,529	15,150
Government grant against temporary economic refinance facility	9.2	28,717	-
Less: current portion		9,028	12,621
		<u>22,218</u>	<u>2,529</u>

**9.1** This relates to the difference between the fair value and actual proceed of salary refinance loan obtained under SBP's Refinance scheme for payment of salaries. It is being amortised over the period of loan from the date of disbursement with an amount equal to the difference between the finance cost that would have been charged to statement of profit or loss at market rate and the interest paid at SBP's defined rate as per the scheme.

**9.2** This relates to the difference between the fair value and actual proceed of temporary economic refinance facility loan obtained under SBP's refinance scheme. It is being amortised over the period of ten years from the date of loan disbursement with an amount equal to the difference between the finance cost charged that would have been charged to statement of profit or loss at market rate and the interest paid as per the scheme.

**9.3** The Company has adhered to the terms of the grants. During the year, Rs.16,173 thousand (2021: Rs.17,632 thousand) has been recognized in the statement of profit or loss.

## 10. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

## 11. STAFF RETIREMENT BENEFITS - Gratuity

**11.1** The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

### The movement in the present value of defined benefit obligation is as follows:

	2022 - - Rupees in '000 - -	2021
Balance at beginning of the year	212,613	161,592
Current service cost	39,918	36,206
Interest cost	19,318	13,848
Benefits paid	(48,291)	(23,764)
Remeasurement of obligation	28,310	24,731
Balance at end of the year	<u>251,868</u>	<u>212,613</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## Expense recognised in statement of profit or loss is as follows:

	2022	2021
	---- Rupees in '000 ----	
Current service cost	39,918	36,206
Interest cost	19,318	13,848
Charge for the year	59,236	50,054

## Remeasurement recognised in statement of other comprehensive income

Experience adjustment	28,310	24,731
-----------------------	--------	--------

## Actuarial assumptions used

	2022	2021
Discount rate	13.25%	10.25%
Expected rate of increase in future salaries	11.25%	8.25%
Demographic assumptions		
- Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
- retirement age	60 years	60 years

## 11.2 Sensitivity analysis for actuarial assumptions:

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / decreased as a result of change in respective assumption by one percent.

	Increase in assumptions	Decrease in assumptions
	--- Rupees in '000' ---	
Discount rate	(229,969)	278,196
Increase in salaries	278,837	(228,978)

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

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## Expected maturity analysis of undiscounted obligation is as follows:

Time in years	Rupees in 000'
1	29,605
2	27,762
3	25,222
4	29,519
5	47,947
next five years	298,322



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 11.3 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2022	2021	2020	2019	2018
	----- Rupees in '000 -----				
Present value of defined benefit obligation	251,868	212,613	161,592	135,460	117,523
Experience adjustment: loss on obligation	28,310	24,731	35,051	19,139	5,799

11.4 Based on actuary's advice, the expected contribution for the year ending June 30, 2023 to gratuity plan amounts to Rs.79.711 million.

11.5 Gratuity includes liability in respect of key management personnel aggregating to Rs.16.074 million (2021: Rs.9.737 million)

## 12. DEFERRED TAXATION - net

	Note	2022	2021
		-- Rupees in '000 --	
This is composed of the following:			
<b>Taxable temporary difference arising in respect of:</b>			
- accelerated tax depreciation allowances		757,416	723,821
- surplus on revaluation of property, plant and equipment		417,615	435,505
- lease finances		3,323	3,140
		1,178,354	1,162,466
<b>Deductible temporary difference arising in respect of:</b>			
- unused tax losses		315,755	609,632
- provision for doubtful deposit for shares		2,774	2,745
- provision for doubtful debt		7,159	7,254
- staff retirement benefits - gratuity		69,864	58,353
- minimum tax	12.1	108,180	108,180
		503,732	786,164
<b>Net deferred tax liability</b>		674,622	376,302

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 12.1** Deferred tax asset on minimum tax paid under section 113 of the Income tax Ordinance, 2001, aggregating Rs.411.622 million (2021: Rs.351.086 million) has not been recognised based on the uncertainty of availability of future taxable profits.

## 13. TRADE AND OTHER PAYABLES

		2022	2021
	Note	-- Rupees in '000 --	
Creditors		427,168	295,078
Bills payable	13.1	758,199	222,929
Due to related parties	13.2	-	61,394
Sales tax payable		38,955	38,749
Accrued expenses		297,694	261,592
Loss on remeasurement of foreign currency commitments		128,225	-
Security deposits	13.3	2,000	2,000
Workers' (profit) participation fund - for the year		45,130	37,158
Workers' welfare fund - for the year		14,623	14,623
		<u>1,711,994</u>	<u>933,523</u>

- 13.1** These are secured against import documents.

- 13.2** These balances, arisen in the normal course of business are interest free, are due to the following related parties:

	2022	2021
	--- Rupees in '000 ---	
Mediterranean Textile Company (S.A.E.), Egypt	-	61,394

- 13.3** This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

## 14. ACCRUED MARK-UP AND INTEREST

	2022	2021
	-- Rupees in '000 --	
Long term financing	46,378	48,222
Short term financing	133,588	66,130
	<u>179,966</u>	<u>114,352</u>

## 15. SHORT TERM BORROWINGS

	2022	2021
Running / cash finances - secured	5,192,341	4,094,950
Temporary bank overdraft - unsecured	5,784	2,447
	<u>5,198,125</u>	<u>4,097,397</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 15.1** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.5.630 billion (2021: Rs.4.405 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial year, carried mark-up at the rates ranging from 8.10% to 16.89% (2021: 7.69% to 14.52%) per annum and are expiring on various dates by February, 2023. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.3.861 billion (2021: Rs.2.822 billion) of which the amount remained unutilised at the year-end was Rs.1.664 billion (2021: Rs.1.501 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by March, 2024.

<b>16. CURRENT PORTION OF</b>		<b>2022</b>	<b>2021</b>
<b>NON-CURRENT LIABILITIES</b>	<b>Note</b>	<b>- - Rupees in '000 - -</b>	
Long term financing	7	721,041	812,503
Lease liabilities	8	11,577	14,626
Government grant	9	9,028	12,621
		<u>741,646</u>	<u>839,750</u>

## **17. CONTINGENCIES AND COMMITMENTS**

### **17.1 Contingencies**

- 17.1.1** Guarantees aggregating Rs.311.654 million (2021: Rs.306.627 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

- 17.1.2** The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The Government challenged the PHC's decision in the Supreme Court of Pakistan ("SCP"). The SCP upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from 15th December 2011. While the Ordinance was still in the field, the Government sought a review of the SCP's decision which was also dismissed by the SCP.

In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017, and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

their industrial or commercial dealings had passed on GIDC burden to their end customers/clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw material for weaving sector, has not passed on the burden of GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability, aggregates to the tune of Rs.279.645 million, calculated on the basis of applicable rate for industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised demand against GIDC of Rs.850.542 million in their bill.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC Installment Bills. The PHC vide its judgment dated June 15, 2022 dismissed the writ petition on the ground of non-maintainability. Afterward, the Company filed another writ petition No. 2459-P/2022 challenging recovery of GIDC on various grounds. The PHC passed an interim order on July 21, 2022 and thereby restrained SNGPL from cutting off the gas supply and recovering GIDC from the Company.

**17.1.3** The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.72.440 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.

**17.1.4** The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018 before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11, 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

**17.1.5** The Finance Act, 2018 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% of the accounting profit through cash dividend within six months of the end of the said year.

The Company filed a Constitutional Petition (CP) no. 6256-P/2019 before the PHC on November 22, 2019 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and PHC accepted the CP and granted stay against the section 5A.

The dividend paid by the Company for the financial year 2019 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the PHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 5% of its profit before tax for the financial year ended June 30, 2019. As at reporting date no charge has been recorded in this respect.

## 17.2 Commitments

**17.2.1** Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.593.195 million (2021: Rs.798.232 million).

**17.2.2** The Company has entered into Ijarah arrangements for thirty six (June 30, 2021: seventeen) vehicles with Bank Alfalah Limited, Meezan Bank Limited and First Habib Mudaraba. Aggregate commitments for rentals under Ijarah arrangements as at June 30, 2022 are as follows:

	Note	2022 --- Rupees in '000 ---	2021
Not later than one year		30,856	13,725
Later than one year but not later than five years		93,344	47,930
		<u>124,200</u>	<u>61,655</u>

## 18. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	18.1	6,384,015	6,364,189
Right-of-use assets	18.7	32,407	49,240
Capital work-in-progress	18.8	12,993	5,553
Spare machinery parts held for capital expenditure		84,199	14,356
		<u>6,513,614</u>	<u>6,433,338</u>

## For the Year Ended June 30, 2022

	Owned									Total				
Lease hold land	Buildings on leasehold land	Furniture and fixtures	Air-conditioning equipment	Electric installations	Generators	Plant & machinery	Office equipment	Telephone installations	Weighing scales	Fire extinguishing equipment	Gas fittings	Vehicles	Leased vehicles	Total

Rupees in '000 -

Balance as at July 01, 2020	397,646	1,506,107	5,415,826	765,924	112,984	127,299	25,927	59,574	6,139	3,245	5,433	1,218	68,763	-	8,496,085
Additions during the year	-	21,732	156,700	88,974	2,002	69	490	5,232	1,461	211	1,029	-	83	-	277,983
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	12,530	-	12,530
Disposals during the year	-	-	-	-	-	-	-	(470)	(553)	-	-	-	(29,527)	-	(30,550)
Balance as at June 30, 2021	397,646	1,527,839	5,572,526	854,898	114,986	127,368	26,417	64,336	7,047	3,456	6,462	1,218	51,849	-	8,756,048
Balance as at July 01, 2021	397,646	1,527,839	5,572,526	854,898	114,986	127,368	26,417	64,336	7,047	3,456	6,462	1,218	51,849	-	8,756,048
Additions during the year	12,394	16,575	283,335	11,985	3,497	2,043	14,410	10,714	1,927	154	247	44	5,039	-	362,364
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	6,378	-	6,378
Disposals during the year	410,040	1,544,414	5,749,538	866,883	117,218	(1,265)	(8)	(323)	(363)	-	-	-	(28,882)	-	(137,164)
Balance as at June 30, 2022	410,040	1,544,414	5,749,538	866,883	117,218	129,411	40,819	74,727	8,611	3,610	6,709	1,262	34,384	-	8,987,626

<b>Balance as at July 01, 2020</b>															
Charge for the year	4,332	75,701	-	1,789,368	124,567	19,129	48,086	14,755	30,431	2,941	2,041	2,198	830	51,663	-
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	-	6,386	-
On disposals during the year	-	-	-	-	-	-	-	-	(221)	(146)	-	-	-	(18,067)	-
Balance as at June 30, 2021	4,332	75,701	1,975,392	159,596	23,905	52,049	15,894	33,252	3,163	2,169	2,613	869	42,924	-	2,391,859
<hr/>															
Balance as at July 01, 2021	4,332	75,701	1,975,392	159,596	23,905	52,049	15,894	33,252	3,163	2,169	2,613	869	42,924	-	2,391,859
Charge for the year	4,373	72,951	185,112	34,999	4,654	3,800	1,768	3,567	492	137	402	37	1,795	-	314,087
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	3,130	-	3,130
On disposals during the year	-	-	(83,794)	-	(861)	-	(4)	(113)	(117)	-	-	-	(20,576)	-	(105,465)
Balance as at June 30, 2022	8,705	148,652	2,076,710	194,595	27,698	55,849	17,658	36,706	3,538	2,306	3,015	906	27,273	-	2,603,611

JUNE 30, 2021	393,314	1,452,138	3,597,134	695,302	91,081	75,319	10,523	31,084	3,884	1,287	3,849	349	8,925	-
<b>BOOK VALUE AS AT</b>														
JUNE 30, 2022	401,335	1,395,762	3,672,828	672,288	89,520	73,562	23,161	38,021	5,073	1,304	3,694	356	7,111	-
Depreciation rate (%)	-	5	5	5	5	5	10	10	10	10	10	10	20	20

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 18.2** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2022	2021
	--- Rupees in '000 ---	
- leasehold land	117,113	106,113
- buildings on leasehold land	505,899	515,440
- plant & machinery	3,234,130	3,133,339
- generators	563,982	581,296
- electric installations	43,571	42,714
- air-conditioning equipment	50,834	51,394
	<u>4,515,529</u>	<u>4,430,296</u>

- 18.3** Leasehold land of the Company and building thereon represents 402,304 square meters of land located at Industrial Estate, Gadoon Amazai, District Sawabi Khyber Pakhtunkhwa.

- 18.4** Based on the latest revaluation exercise carried-out on June 30, 2021, forced sale value of the Company's revalued assets was Rs.5,151.014 million.



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 18.5 Disposal of operating fixed assets

Asset Description	Cost / Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds / Insurance claims	Gain / (loss)	Mode of disposal	Particulars of buyer
-------------------	--------------------	--------------------------	----------------	----------------------------------	---------------	------------------	----------------------

----- Rupees in '000 -----

### Assets having net book value exceeding Rs.500,000 each

#### Plant & Machinery

Comber Rieter	32,680	23,863	8,817	18,857	10,040	Negotiation	Diamond International Corp Ltd
Lap Former	7,003	5,113	1,890	3,413	1,523	--- do ---	Diamond International Corp Ltd
Automatic Cone Winder	7,729	6,713	1,016	1,752	736	--- do ---	Ideal Trading Company
Automatic Cone Winder	7,573	6,583	990	1,752	762	--- do ---	Ideal Trading Company
Automatic Cone Winder	18,289	15,759	2,530	3,504	974	--- do ---	Ideal Trading Company
Automatic Cone Winder	7,805	6,466	1,339	1,752	413	--- do ---	Ideal Trading Company
Automatic Cone Winder	4,205	3,027	1,178	1,424	246	--- do ---	Ideal Trading Company
Ring Doubling Spindles	5,072	3,420	1,652	1,910	258	--- do ---	Ideal Trading Company
Ring Doubling Spindles	1,658	1,068	590	647	57	--- do ---	Ideal Trading Company
Drawing Draw Frame	3,583	2,877	706	387	(319)	--- do ---	Ideal Trading Company
Automatic Cone Winder	9,410	8,055	1,355	1,643	288	--- do ---	Ideal Trading Company
Vehicles							
Audi Q-7	16,816	12,466	4,350	10,000	5,650	Negotiation	Kohat Textile Mills Limited - related party
Honda Civic	3,341	1,445	1,896	1,896	-	--- do ---	Mr. Muhammad Sarwar - an ex employee
Suzuki Cultus	1,434	697	737	737	-	--- do ---	Mr. Waseem Khaliq - an employee
Honda City	1,602	988	614	614	-	--- do ---	Mr. Muhammad Yousaf
	128,200	98,540	29,660	50,288	20,628		

### Various assets having net book value upto Rs.500,000 each

2022

2021

8,964	6,926	2,038	3,627	1,589
137,164	105,466	31,698	53,915	22,217
30,550	18,434	12,116	10,279	(1,837)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 18.6 Depreciation for the year has been apportioned as under:

	2022	2021
	--- Rupees in '000 ---	
Cost of sales	306,465	310,406
Administrative expenses	7,622	7,492
	<u>314,087</u>	<u>317,898</u>

## 18.7 Right-of-use assets

	2022			2021		
	Vehicles	Buildings	Total	Vehicles	Buildings	Total
<b>Cost</b>	-----Rupees in '000-----					
Opening balance	69,325	17,414	86,739	81,855	9,111	90,966
Recognized during the year	-	-	-	-	17,414	17,414
Reassessment due to mark-up rate change	-	63	63	-	(749)	(749)
Transferred to own assets	(6,378)	-	(6,378)	(12,530)	-	(12,530)
Derecognized during the year	(4,346)	-	(4,346)	-	(8,362)	(8,362)
	<u>58,601</u>	<u>17,477</u>	<u>76,078</u>	<u>69,325</u>	<u>17,414</u>	<u>86,739</u>
<b>Accumulated depreciation</b>						
Opening balance	36,048	1,451	37,499	33,243	2,278	35,521
Depreciation for the year	6,316	5,342	11,658	9,191	2,972	12,163
Transferred to own assets	(3,130)	-	(3,130)	(6,386)	-	(6,386)
On derecognized during the year	(2,356)	-	(2,356)	-	(3,799)	(3,799)
	<u>36,878</u>	<u>6,793</u>	<u>43,671</u>	<u>36,048</u>	<u>1,451</u>	<u>37,499</u>
<b>Net book value at end of the year</b>	<u>21,723</u>	<u>10,684</u>	<u>32,407</u>	<u>33,277</u>	<u>15,963</u>	<u>49,240</u>
<b>Depreciation rate (%)</b>	20	33.33		20	33.33	

Depreciation expense relating to right of use asset - vehicles and buildings has been charged to administrative expenses

## 18.8 Capital work-in-progress

	2022	2021
	-- Rupees in '000 --	
Advance payments		
- factory buildings	7,225	-
- plant and machinery	5,768	-
- Head office buildings	-	5,553
	<u>12,993</u>	<u>5,553</u>

## 19. INTANGIBLE ASSETS - Computer software

### Cost at beginning of the year

Less: amortisation:

- at beginning of the year
- charge for the year
- at end of the year

### Book value as at June 30,

Note

19.1

	2022	2021
	19,265	19,265
	17,561	15,015
	1,704	2,546
	<u>19,265</u>	<u>17,561</u>
	<u>-</u>	<u>1,704</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 19.1** Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.

**20. LONG TERM INVESTMENT - at FVTOCI**

	Note	2022 --- Rupees in '000 ---	2021
<b>Debt Instruments</b>			
Habib Bank Limited - term finance certificates (TFCs)			
25 TFCs of Rs.100,000 each	20.1	2,500	2,500
Adjustment arising from re-measurement to fair value		(125)	(150)
		2,375	2,350
<b>Equity securities - un-quoted</b>			
Naymat Collateral Management Company Ltd.			
1,000,000 ordinary shares of Rs.10 each		10,000	10,000
		12,375	12,350

- 20.1** These carry profit at the rate of 3 months KIBOR + 1.60%. Effective profit rates charged, during the current financial year, ranged from 9.05% to 16.39% (2021: 8.85% to 9.18%) per annum.

**21. LONG TERM LOANS - Considered good**

	Note	2022 --- Rupees in '000 ---	2021
Loans and advances to employees	21.1	24,561	23,080
Less: amounts due within twelve months and shown under current assets		3,842	3,651
		20,719	19,429

- 21.1** These loans are interest free and have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.

**22. STORES, SPARE PARTS AND LOOSE TOOLS**

	2022 --- Rupees in '000 ---	2021
Stores including in-transit inventory		
valuing Rs.24.368 million (2021: Rs.9.775 million)	219,459	206,205
Spare parts	86,696	91,484
Loose tools	2,294	2,245
	308,449	299,934

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 23. STOCK-IN-TRADE

		2022	2021
	Note	-- Rupees in '000 --	
Raw materials:			
- at mills		1,114,183	1,108,969
- in transit	23.2	1,114,528	222,573
		2,228,711	1,331,542
Work-in-process		303,109	232,576
Finished goods		1,438,236	744,626
		3,970,056	2,308,744

**23.1** Stock-in-trade include inventories valuing Rs.2,448.828 million (2021: Rs.1,543.979 million) which are pledged with commercial banks as security for short term borrowings (note 15).

**23.2** Raw materials include items costing Rs.759.435 million which have been stated at their net realizable value aggregated Rs.679.680 million. The amount charged to cost of sales in respect of stocks written down to their realizable value is Rs.79.755 million.

## 24. TRADE DEBTS

		2022	2021
	Note	--- Rupees in '000 ---	
<b>Unsecured - local</b>		2,469,696	2,042,846
<b>Secured</b>			
- export		75,367	107,054
- local		21,843	152,147
		97,210	259,201
Less: allowance for expected credit loss	24.1	(25,809)	(26,432)
		2,541,097	2,275,615

### 24.1 Provision for impairment

Balance at beginning of the year	26,432	1,000
Charge for the year	33,000	25,432
Written-off during the year	33,623	-
Balance at end of the year	25,809	26,432

## 25. LOANS AND ADVANCES - Considered good

Current portion of long term loans to employees	3,842	3,651
Advances to:		
- employees	9,361	8,682
- suppliers	86,715	65,866
	99,918	78,199

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

26. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	2022 -- Rupees in '000 --	2021
Prepayments	26.1	5,920	4,334

**26.1** These prepayments have been made against different day to day expenses.

27. OTHER RECEIVABLES	Note	2022 -- Rupees in '000 --	2021
Due from related party	27.1	46,027	-
Receivable from Sui Northern Gas Pipelines Ltd.	27.2	23,331	23,331
Advances against letters of credit		1,142	1,543
Mark-up subsidy	27.3	25,680	25,680
		96,180	50,554

**27.1** This balance has arisen in the normal course of business and is due from the Mediterranean Textile Company (S.A.E.), Egypt (a related party).

**27.1.1** The maximum outstanding balance due from the related parties at the end of any month during the year was as follows:

	2022 --- Rupees in '000 ---	2021
- Saif Energy Ltd.	-	437
- Mediterranean Textile Company (S.A.E.), Egypt	46,027	-

**27.2** This represents excessive gas bills paid, during the financial year ended June 30, 2010 and 2015, under protest against which the Company has filed a complaint with the Oil & Gas Regulatory Authority, Islamabad. Presently, the Company's case is pending with the Regional Detection & Evaluation Committee of Sui Northern Gas Pipelines Ltd. for final decision.

**27.3** These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

28. INVESTMENTS		2022	2021
(at fair value through statement of profit or loss)	Note	--- Rupees in '000 ---	
<b>Equity securities - quoted</b>			
National Bank of Pakistan			
105,000 (2021: 105,000) ordinary shares of Rs.10 each		3,840	2,903
Pakistan Petroleum Ltd.			
1,000 (2021: 1,000) ordinary shares of Rs.10 each		87	90
<b>Mutual fund</b>			
JS Islamic Hybrid Fund of Funds			
Nil (2021: 256,045.6205) units		-	22,178
		3,927	25,171
Adjustment on remeasurement to fair value - net		925	952
		3,002	26,123
<b>29. DEPOSIT FOR SHARES</b>			
Security Electric Power Company Ltd. - SEPCL			
(an Ex - Associated Company)	29.1	10,000	10,000
Less: provision for doubtful deposit for shares	29.2	10,000	10,000
		-	-

**29.1** The Company had deposited Rs.5 million during the financial year ended September 30, 1994 and Rs.5 million during the financial year ended September 30, 1998 with SEPCL for purchase of shares. Shares against these deposits, however, have not been issued so far.

**29.2** Full provision against these doubtful deposits was made as the management was of the view that SEPCL had abandoned the project due to IPP crisis and SEPCL utilised this amount in payment of penalty imposed by the Private Power Infrastructure Board (Ministry of Water and Power). The Company had filed a complaint before the Wafaqi Muhtasib for recovery of the said deposit along with penalty. As remote chances of recovery existed, full provision for doubtful deposits for shares was made in the books of account during the financial year ended September 30, 2000.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 30. TAXATION - net

		2022	2021
	Note	--- Rupees in '000 ---	
<b>Balance of advance tax</b>			
<b>at beginning of the year</b>		322,703	341,661
Add: income tax deducted / paid during the year		185,924	104,254
		508,627	445,915
Less: provision made for			
- current year	30.2	268,442	157,098
- prior year		472	(41,401)
		268,914	115,697
Less: refunds received during the year		20,281	7,515
Balance of advance tax at end of the year		219,432	322,703

**30.1** Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under section 120 of the Ordinance upto the tax year 2021.

**30.2** No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial year represents tax payable under sections 113 (minimum tax) and 154 (tax on export proceeds) of the Ordinance. Further current year's provision include super tax at the rate of 10% of income under section 4C levied through Finance Act, 2022 applicable for tax year 2022.

## 31. TAXES REFUNDS DUE FROM GOVERNMENT

		2022	2021
	Note	--- Rupees in '000 ---	
Minimum tax paid under protest	31.1	5,034	5,034

**31.1** The Company had made payments aggregating Rs.12.736 million till September 30, 2003 under protest; however, Rs.3.000 million were adjusted against the completed assessment during the financial year ended September 30, 2004. The Company, during the financial year ended June 30, 2008, had received refund of Rs.4.702 million.

## 32. CASH AND BANK BALANCES

		2022	2021
	Note	--- Rupees in '000 ---	
Cash at banks on:			
- current accounts	32.1	42,582	43,793
- saving accounts		499	485
		43,081	44,278

**32.1** These include foreign currency balances of U.S.\$ 956.33 (2021: U.S.\$ 956.33).



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 33. SALES - Net

2022 2021  
--- Rupees in '000 ---

### Own manufactured goods:

Local		
- yarn	13,662,235	11,553,766
- waste	97,544	62,271
- surgical cotton	49,528	38,740
	13,809,307	11,654,777
Export		
- yarn	194,023	216,606
- surgical cotton	284,668	354,588
	478,691	571,194

### Trading activities:

Local		
- yarn	5,653	102,512
- raw materials	357,834	30,818
	363,487	133,330
Export		
- yarn	72,802	-
	14,724,287	12,359,301
Less: sales tax	2,059,268	1,712,624
	12,665,019	10,646,677

- 33.1** All the contracts with the customers were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 34. COST OF SALES

		2022	2021
	Note	--- Rupees in '000 ---	
Raw materials consumed	34.1	7,680,968	5,548,638
Salaries, wages and benefits	34.2	1,154,218	964,951
Packing materials consumed		217,600	184,500
Dyes and chemical consumed		244,771	155,682
Power and fuel		1,023,970	934,441
Repair and maintenance		196,580	213,039
Depreciation	18.6	306,465	310,406
Insurance		25,841	26,542
Rent		7,402	8,363
Vehicles' running and maintenance		15,333	10,971
Travelling and conveyance		6,603	4,408
Textile cess		100	100
Others		17,256	14,704
		10,897,107	8,376,745
Adjustment of work-in-process			
Opening		232,576	188,426
Closing		(303,109)	(232,576)
		(70,533)	(44,150)
Cost of goods manufactured		10,826,574	8,332,595
Adjustment of finished goods			
Opening stock		744,626	923,794
Purchases		171,126	243,263
Closing stock		(1,438,236)	(744,626)
		(522,484)	422,431
		10,304,090	8,755,026
<b>34.1 Raw materials consumed</b>			
Opening stock		1,331,542	1,405,049
Purchases (for manufacturing)		8,291,633	5,449,873
Cost of raw materials sold		285,611	24,179
		8,577,244	5,474,052
		9,908,786	6,879,101
Less: closing stock		2,228,711	1,331,542
		7,680,075	5,547,559
Add: cotton cess		893	1,079
		7,680,968	5,548,638

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

**34.2** These include Rs.34.552 million (2021: Rs.29.197 million) in respect of staff retirement benefits - gratuity.

## **35. DISTRIBUTION COST**

	<b>Note</b>	<b>2022</b> <b>--- Rupees in '000 ---</b>	<b>2021</b>
Staff salaries and benefits	35.1	27,727	22,690
Travelling		3,474	2,499
Vehicles' running and maintenance		4,330	-
Communication		314	96
Loading and unloading		32,201	26,389
Freight on local yarn sales		35,840	30,318
Freight on export yarn sales		73,467	38,588
Export expenses		1,361	1,587
Insurance		540	382
Commission on sales		56,786	52,155
Quality claims on sale supplies		20,000	34,000
		<b>256,040</b>	<b>208,704</b>

**35.1** These include Rs.7.901 million (2021: Rs.6.677 million) in respect of staff retirement benefits - gratuity.

## **36. ADMINISTRATIVE EXPENSES**

	<b>Note</b>	<b>2022</b> <b>--- Rupees in '000 ---</b>	<b>2021</b>
Directors' meeting fee		600	659
Salaries and benefits	36.1	191,467	155,011
Travelling and conveyance		3,760	4,278
Rent, rates and taxes		9,667	7,348
Ijarah rentals		21,390	7,667
Entertainment		3,852	3,063
Communication		5,478	5,425
Printing and stationery		2,272	2,845
Electricity, gas and water		3,985	5,037
Insurance		3,750	2,875
Repair and maintenance		4,928	4,152
Vehicles' running and maintenance		19,156	13,612
Advertisement		109	408
Fees and subscription		20,615	37,353
Newspapers and periodicals		414	143
Depreciation related to operating fixed assets	18.6	7,622	7,492
Depreciation related to right of use assets	18.7	11,658	12,163
Amortisation	19	1,704	2,546
Auditors' remuneration	36.2	2,393	1,999
Legal and professional (other than Auditors)		2,713	4,590
Others		158	287
		<b>317,691</b>	<b>278,953</b>

**36.1** These include Rs.16.781 million (2021: Rs.14.180 million) in respect of staff retirement benefits - gratuity.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 36.2 Auditors' remuneration

	2022	2021
	--- Rupees in '000 ---	
Statutory audit		
- current year	1,700	1,400
- prior year	364	100
Half yearly review	168	158
Consultancy and certification charges	136	316
Out-of-pocket expenses	25	25
	<u>2,393</u>	<u>1,999</u>

**36.3** The Company, during the current financial year, has shared administrative expenses aggregating Rs.7.805 million (2021: Rs.10.208 million) with Kohat Textile Mills Ltd. a related party on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

## 37. OTHER INCOME

	Note	2022	2021
		--- Rupees in '000 ---	
Sale of scrap - net of sales tax of Rs.6,133 thousand (2021: Rs.3,324 thousand)		30,692	16,943
Profit on bank deposits		49	159
Profit on term finance certificates		275	228
Amortisation of government grant		16,173	17,632
Dividend income		2	1,317
Gain on remeasurement of short term investments to fair value	28	-	952
Gain on sale of operating fixed assets	18.5	22,217	-
Gain on derecognition of right to use assets		2,713	820
		<u>72,121</u>	<u>38,051</u>

## 38. OTHER EXPENSES

	Note	2022	2021
Donations	38.1	7,692	7,749
Loss on sale of operating fixed assets	18.5	-	1,837
Loss on remeasurement of short term investments to fair value	28	925	-
Loss on redemption of short term investments		99	-
Loss on remeasurement of foreign currency commitments		128,225	-
Workers' (profit) participation fund		45,130	37,158
Workers' welfare fund		-	14,623
Provision for impairment of trade debts - net	24.1	33,000	25,432
		<u>215,071</u>	<u>86,799</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

- 38.1** These include Rs.6 million (2021: Rs.6 million) and Rs.1.332 million (2021: Rs.1.221 million) donated to Akbar Kare (a section 42 Company) and Wadaan Foundation for Sustainable Development (Technical and training institute) respectively. Following directors of the company are directors in both the Companies.

Akbar Kare	Wadaan Foundation for Sustainable Development
- Ms. Hoor Yousafzai	- Mr. Osman Saifullah Khan
- Mr. Rana Muhammad Shafi	- Mr. Rana Muhammad Shafi

<b>39. FINANCE COST - net</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>--- Rupees in '000 ---</b>	
Mark-up on long term financing		190,959	201,687
Mark-up on short term borrowings		514,911	379,212
Lease finance charges		4,011	4,619
Interest on workers' (profit) participation fund		1,205	-
Local bills discounting charges		48,153	47,022
Bank and other charges		32,891	33,827
		<u>792,130</u>	<u>666,367</u>
<b>40. EXCHANGE FLUCTUATION GAIN - net</b>			
Exchange fluctuation gain on foreign debtors		5,046	2,505
<b>41. TAXATION</b>			
Current			
- for the year		268,442	157,098
- for prior year		472	(41,401)
	30	268,914	115,697
Deferred	12	306,173	48,810
		<u>575,087</u>	<u>164,507</u>
<b>42. BASIC EARNINGS PER SHARE</b>			
<b>42.1 Earning per share</b>			
Profit after taxation attributable to ordinary shareholders		282,077	526,877
		<u>282,077</u>	<u>526,877</u>
		<b>---- No. of shares ----</b>	
Weighted average number of ordinary shares outstanding during the year		26,412,880	26,412,880
		<u>26,412,880</u>	<u>26,412,880</u>
		<b>----- Rupees -----</b>	
Earnings per share		10.68	19.95
		<u>10.68</u>	<u>19.95</u>

## 42.2 Diluted

A diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2022 and June 30, 2021 which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 43. CASH FLOW FROM OPERATING ACTIVITIES

	2022	2021
	--- Rupees in '000 ---	
Profit for the year - before taxation	857,164	691,384
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	327,449	332,607
Staff retirement benefits - gratuity (net)	10,945	26,290
(Gain) / loss on sale of operating fixed assets - net	(22,217)	1,837
Gain on derecognition of right to use assets	(2,713)	-
Finance cost	759,239	632,540
Exchange fluctuation gain on foreign debtors - net	(5,046)	(2,505)
Loss / (gain) on remeasurement of short term investments to fair value - net	925	(952)
Loss on redemption of short term investments to fair value - net	99	-
<b>Profit before working capital changes</b>	<b>1,925,845</b>	<b>1,681,201</b>
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(8,515)	107,095
Stock-in-trade	(1,661,312)	208,525
Trade debts	(260,436)	(449,072)
Loans and advances	(21,719)	(7,463)
Trade deposits and short term prepayments	(1,586)	(2,221)
Other receivables	(45,626)	64
Increase / (decrease) in trade and other payables	778,480	(179,361)
	<b>(1,220,714)</b>	<b>(322,433)</b>
<b>Cash generated from operating activities</b>	<b>705,131</b>	<b>1,358,768</b>
Income tax paid	(165,643)	(96,739)
Long term loans	(1,290)	343
Long term deposits	(8,567)	(8,951)
Long term deposits from employees	5,113	(2,523)
<b>Net cash generated form operating activities</b>	<b>534,744</b>	<b>1,250,898</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 44.1 Financial Risk Factors

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

- market risk
- credit risk; and
- liquidity risk.

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

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

### 44.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. 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 financing, import of raw materials, plant & machinery, stores & spares, foreign debtors and claims receivables denominated in U.S. Dollar and Euro. The Company's exposure to foreign currency risk for U.S. Dollar and Euro are as follows:

	2022		
	Rupees	U.S. \$	Euros
	----- Rupees in '000 -----		
Bills payable	758,199	3,662	18
	758,199	3,662	18
Trade debts	(75,367)	(367)	-
Due from related parties	(46,027)	(224)	-
Bank balances	(203)	(1)	-
<b>Gross reporting date exposure</b>	636,602	3,070	18
Outstanding letters of credit	593,195	2,756	11
<b>Net exposure</b>	1,229,797	5,826	29



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

	2021		
	Rupees	U.S. \$	Euros
	----- Rupees in '000 -----		
Bills payable	222,929	1,408	-
Due to related party	61,394	388	-
	284,323	1,796	-
Trade debts	(107,054)	(421)	(2)
Bank balances	(151)	(1)	-
Gross reporting date exposure	177,118	1,374	(2)
Outstanding letters of credit	798,232	4,062	822
Net exposure	975,350	5,436	820

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2022	2021	2022	2021
	--- Rupees in '000 ---		--- Rupees in '000 ---	
U.S. Dollar to Rupee	185.36	159.68	206 / 205.5	157.80 / 158.30
Euro to Rupee	212.45	188.32	215.75 / 215.23	188.12 / 188.71

At June 30, 2022, if Rupee had strengthened by 10% against U.S.\$ and Euro with all other variables held constant, profit after taxation for the year would have been higher / lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities and foreign exchange loss on translation of foreign currency financial assets.

	2022	2021
	--- Rupees in '000 ---	
Effect on profit for the year		
U.S.\$ to Rupee	63,242	21,750
Euro to Rupee	(387)	(38)

The weakening of Rupee against U.S. Dollar and Euro would have had an equal but opposite impact on profit / loss after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on loss 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

	2022	2021	2022	2021
	Effective rate		Carrying amount	
Financial liabilities	%	%	---	---
Variable rate instruments			in '000	
Long term financing	3.00 to 16.33	2.50 to 10.01	1,849,105	2,431,876
Lease liabilities	9.10 to 17.17	8.13 to 10.00	20,429	37,799
Short term borrowings	8.10 to 16.89	7.69 to 14.52	5,198,125	4,097,397

## 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, 2022, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.70.963 million (2021: Rs.65.670 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.

The Company is exposed to equity securities price risk because of its investments classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors.

A 10% increase / decrease in market value of equity investments, profit before taxation for the year would have been higher / lower by Rs.300 thousand (2021: Rs.2,612 thousand).

### 44.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

Credit risk primarily arises from long term deposits, trade debts, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

### Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2022 along with comparative is tabulated below:

	2022	2021
	--- Rupees in '000 ---	
Long term investments	12,375	12,350
Long term deposits	32,472	23,905
Trade debts	2,566,906	2,302,047
Other receivables	96,180	50,554
Investments	3,002	26,123
Bank balances	43,081	44,278
	<u>2,754,016</u>	<u>2,459,257</u>
Trade debts exposure by geographic region is as follows:		
Domestic	2,491,539	2,194,993
Export	75,367	107,054
	<u>2,566,906</u>	<u>2,302,047</u>

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

The ageing of trade debts at the reporting date is as follows:

	2022	2021
	--- Rupees in '000 ---	
Not yet due	2,521,008	2,150,827
Past due		
- upto 30 days	21,620	133,588
- more than 30 days	24,278	17,632
	<u>2,566,906</u>	<u>2,302,047</u>

The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. As at reporting date, the Company's management believes the required impairment allowance in respect of doubtful trade debts has been accounted for, as trade debts aggregating Rs.1,775.65 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

Investments comprise of share-holdings in listed and un-listed securities. The management assesses the credit quality ratings of its holdings and diversifies its portfolio accordingly.

## 44.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2022				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
----- Rupees in '000 -----					
Long term financing	1,849,105	2,081,137	826,286	1,252,372	2,479
Lease liabilities	20,429	23,320	13,316	10,004	-
Trade and other payables	1,666,864	1,666,864	1,666,864	-	-
Accrued mark-up and interest	179,966	179,966	179,966	-	-
Short term borrowings	5,198,125	5,437,501	5,437,501	-	-
Unpaid dividends	486	486	486	-	-
Unclaimed dividends	8,597	8,597	8,597	-	-
	<u>8,923,572</u>	<u>9,397,871</u>	<u>8,133,016</u>	<u>1,262,376</u>	<u>2,479</u>

	2021				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
----- Rupees in '000 -----					
Long term financing	2,431,876	2,702,347	880,952	1,816,363	5,032
Lease liabilities	37,799	48,700	22,450	26,250	-
Trade and other payables	896,365	896,365	896,365	-	-
Accrued mark-up and interest	114,352	114,352	114,352	-	-
Short term borrowings	4,097,397	4,272,895	4,272,895	-	-
Unpaid dividends	486	486	486	-	-
Unclaimed dividends	8,593	8,593	8,593	-	-
	<u>7,586,868</u>	<u>8,043,738</u>	<u>6,196,093</u>	<u>1,842,613</u>	<u>5,032</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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.

## 44.5 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

### Valuation techniques used to determine fair values

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.3.002 million (2021: Rs.3.945 million), level 2 financial assets amounting to Rs.2.375 million (2021: Rs.24.528 million) and level 3 financial assets amounting to Rs.10 million (2021: Rs.10 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Except for the above, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values as at reporting date.

#### 44.6 Financial instruments by category

	Amortised cost		Financial assets at fair value through OCI	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at fair value through profit or loss
	2022	2021	2022		2021	
<b>Financial assets as per statement of financial position</b>	<b>----- Rupees in '000 -----</b>					
Long term investments	-	-	12,375	-	12,350	-
Long term loans	20,719	19,429	-	-	-	-
Long term deposits	32,472	23,905	-	-	-	-
Trade debts	2,566,906	2,302,047	-	-	-	-
Loans and advances	13,203	12,333	-	-	-	-
Other receivables	96,180	50,554	-	-	-	-
Short term investments	-	-	-	3,002	-	26,123
Bank balances	43,081	44,278	-	-	-	-
	<u>2,772,561</u>	<u>2,452,546</u>	<u>12,375</u>	<u>3,002</u>	<u>12,350</u>	<u>26,123</u>

#### Financial liabilities as per statement of financial position

	2022	2021
<b>Financial liabilities measured at amortised cost</b>		
<b>-- Rupees in '000 --</b>		
Long term financing	1,849,105	2,431,876
Lease liabilities	20,429	37,799
Long term deposits	13,154	8,041
Trade and other payables	1,711,994	933,523
Accrued mark-up and interest	179,966	114,352
Short term borrowings	5,198,125	4,097,397
Unpaid dividends	486	486
Unclaimed dividends	8,597	8,593
	<u>8,981,856</u>	<u>7,632,067</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 44.7 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022				
	Liabilities				
	Long term financing	Lease Liabilities	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2021	2,431,876	37,799	4,097,397	114,352	9,079
Changes from financing activities					
Finances obtained	251,683	-	-	-	-
Finances repaid	(818,358)	-	1,100,728	-	-
Transferred to deferred income	12,621	-	-	-	-
Reassessment due to mark-up rate change	-	64	-	-	-
Repayment of finance lease liabilities	-	(19,041)	-	-	-
Derecognized on termination of lease contract	-	(2,404)	-	-	-
Finance cost paid	-	-	-	(693,625)	-
Dividends paid	-	-	-	-	4
Total changes from financing cash flows	1,877,822	16,418	5,198,125	(579,273)	9,083
Other changes / adjustments	(28,717)	-	-	-	-
Mark-up / Interest expense	-	4,011	-	759,239	-
Balance as at June 30, 2022	1,849,105	20,429	5,198,125	179,966	9,083

	2021				
	Liabilities				
	Long term financing	Lease Liabilities	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2020	2,540,371	47,533	4,261,572	231,475	13,069
Changes from financing activities					
Finances obtained	256,090	-	-	-	-
Finances repaid	(369,533)	-	(164,175)	-	-
Transferred to deferred income	4,948	-	-	-	-
Finance leases obtained	-	17,413	-	-	-
Reassessment due to mark-up rate change	-	(749)	-	-	-
Repayment of finance lease liabilities	-	(25,247)	-	-	-
Finance cost paid	-	(5,383)	-	(749,663)	-
Dividends paid	-	-	-	-	(5,138)
Total changes from financing cash flows	2,431,876	33,567	4,097,397	(518,188)	7,931
Other changes					
Mark-up / Interest expense	-	4,232	-	632,540	1,148
Balance as at June 30, 2021	2,431,876	37,799	4,097,397	114,352	9,079



# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 45. 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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2022	2021
	--- Rupees in '000 ---	
Total borrowings	7,076,687	6,579,693
Less: cash and bank balances	43,081	44,278
Net debt	7,033,606	6,535,415
Total equity	3,931,757	3,670,112
Total capital	10,965,363	10,205,527
Gearing ratio	64%	64%

## 46. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Associated Companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

### 46.1 Name and nature of relationship

#### Associated Companies and undertaking (due to common directorship)

Saif Holdings Ltd.

Kohat Textile Mills Ltd.

Saif Healthcare Ltd.

Mediterranean Textile Company (S.A.E.), Egypt

Akbar Kare

Waddan Foundation for Sustainable Development

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 46.2 Significant transactions with the related parties

### Sales of:

- goods and raw material
- yarn
- operating fixed asset

### Purchase of:

- raw material
- yarn
- operating fixed asset

### Donations

### Key management personnel

- remuneration and other employment benefits

### Others - remuneration / consultancy charges

2022

2021

--- Rupees in '000 ---

- goods and raw material	-	7,910
- yarn	11,805	-
- operating fixed asset	10,000	-
- raw material	24,637	82,140
- yarn	-	79,690
- operating fixed asset	5,000	-
Donations	7,332	7,221
Key management personnel		
- remuneration and other employment benefits	39,745	38,327
Others - remuneration / consultancy charges	24,000	12,000

## 47. REMUNERATION OF CHIEF EXECUTIVE, AND EXECUTIVES

	Chief Executive		Executives	
	2022	2021	2022	2021
	----- Rupees in '000 -----			
Meeting fees	60	14	-	-
Managerial remuneration	14,787	13,604	45,922	45,716
House rent and utilities	8,133	758	25,257	25,144
Retirement benefits	-	-	14,233	9,447
Medical expenses reimbursed	21	348	1,834	1,614
	23,001	14,724	87,246	81,921
Number of persons	1	3	17	17

**47.1** Meeting fees of Rs.600 thousand (2021: Rs.669 thousand) were also paid to seven (2021: seven) non-executive directors during the year.

**47.2** Chief executive and some of the executives have also been provided with the Company maintained cars and residential telephones.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 48. CAPACITY AND PRODUCTION

2022

2021

### 48.1 Spinning units

No. of spindles installed			107,760	107,760
Average of spindles shifts installed	Figure in '000		117,997	117,997
Average of spindles shifts worked	Figure in '000		104,914	115,067
No. of days worked			365	365
No. of shifts worked			1,095	1,095
Average count			33.09	33.95
Actual production	Kgs	Figure in '000	18,930	19,143

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

### 48.2 Dyeing

2022

2021

#### Cotton / Fibre Dyeing Unit

Total number of days worked			365	365
No. of shift worked			1,095	1,095
Installed capacity	Kgs	Figure in '000	4,563	4,417
Actual production	Kgs	Figure in '000	3,425	3,072

## 49. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

**49.1** Yarn sales represent 95% (2021: 96%) of the total sales of the Company.

**49.2** 96% (2021: 95%) of the Company's sales relate to customers in Pakistan.

**49.3** All non-current assets of the Company as at June 30, 2022 are located in Pakistan.

**49.4** The Company does not have any customer having sales of ten percent or more during the year ended June 30, 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

## 50. NUMBER OF EMPLOYEES

	2022	2021
Total number of employees as at June 30,	2,549	3,008
Average number of employees during the year	2,525	2,943

## 51. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However no material re-arrangements and re-classifications have been made in these financial statements.

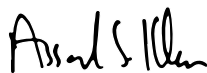
## 52. DATE OF AUTHORISATION

These financial statements were authorised for issue on 30 September 2022 by the Board of Directors of the Company.



**NADIA BILAL**

Chief Executive Officer



**ASSAD SAIFULLAH KHAN**

Director



**MUHAMMAD FAISAL RAZA**

Chief Financial Officer

## FORM OF PROXY

I/we.....of.....being a member of  
Saif Textile Mills Limited hereby appoint Mr./Ms.....  
of .....failing whom Mr./Ms.....  
of .....as my proxy to attend act for me, and on my behalf, at the Annual  
General Meeting of the Company to be held on Tuesday, 25 October, 2022 at 12:00 noon  
and any adjournment there of.  
Dated this .....day of .....2022.

Revenue  
Stamp  
Rs..50/-

Specimen Signature of Proxy

Folio No.....

Participant I.D No.....

Sub Account No. ....

Signature of Shareholder

Specimen Signature of Alternate Proxy

Folio No.....

Folio No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

### Note:

- i) If a member is unable to attend the Meeting, he/she may appoint another member as his/her proxy and send this form to Saif Textile Mills Limited, APTMA House, Tehkal Payan, Jamrud Road, Peshawar to reach not less than 48 hours before the time appointed for holding the meeting.
- ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
- iii) The Proxy shall produce his original CNIC or original Passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted(unless it has been Provided earlier) along with Proxy Form to the Company.

## فارم آف پراسی

[illegible]

پراسی کے دستخط کا نمونہ۔	
فولیو نمبر۔	
شرکت کنندہ کی شناختی کارڈ نمبر۔	
ذیلی اکاؤنٹ نمبر۔	
متبادل پراسی کے دستخط کا نمونہ۔	حصہ دار کا دستخط۔
فولیو نمبر۔	فولیو نمبر۔
شرکت کنندہ کی شناختی کارڈ نمبر۔	شرکت کنندہ کی شناختی کارڈ نمبر۔
ذیلی اکاؤنٹ نمبر۔	ذیلی اکاؤنٹ نمبر۔

نوٹ:

- (i) اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے پہلے تک سینف ٹیکسٹائل ملز لمیٹڈ واقع آبپا ہاؤس، تہ کال پایاں، جمرو روڈ، پشاور میں جمع کرادے۔
- (ii) مستفید مالکان اور پراکسی کے شناختی کارڈ یا پاسپورٹ کے مصدقہ نقول پراکسی فارم کے ساتھ منسلک ہونا چاہیئے۔
- (iii) اجلاس کے وقت پراکسی کو اپنا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (iv) کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ بشمول نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔

[illegible]







## Saif Textile Mills Limited

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