# NOTICE OF 58th
## ANNUAL GENERAL MEETING

# FAZAL CLOTH MILLS LIMITED

# NOTICE OF 58th ANNUAL GENERAL MEETING

Notice is hereby given that the **58th Annual General Meeting** of the Company will be held on **Saturday** the **October 28, 2023** at **03:00 p.m.** at FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore to transact the following business:

**A. ORDINARY BUSINESS**

1. To receive, consider and adopt the Financial Statements of the Company for the year ended June 30, 2023 together with the Auditors' and Director's Report thereon and Chairman's Review Report.

   In accordance with Section 223(7) of the Companies Act, 2017 and S.R.O No.389(I)/2023 dated March 21, 2023, the financial statements of the Company have been uploaded on the Company's website which can be downloaded from the following link and QR enabled code:

   **https://fazalcloth.com/FinancialReports/annual-report-ended-30-2023.pdf**

2. To appoint Auditors of the Company and to fix their remuneration. The members are hereby notified that the retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants have given their consent to act as Auditors of the Company and Board Audit Committee & the Board of Directors have recommended their name for reappointment as auditors of the Company.

**B. SPECIAL BUSINESS**

1. To ratify and approve the transactions carried out by the Company with related parties during the year ended June 30, 2023 under the authority of the special resolution passed in the last annual general meeting held on November 25, 2022 and to pass the special resolution with or without modification(s) as proposed in the statement of material fact:

2. To authorize the Board of Directors of the Company to approve all transactions with Related Parties (if executed) during the financial year ending June 30, 2024 and till the date of next annual general meeting and to further authorize him to take any and all necessary steps and to sign/execute any and all such documents/annexures on behalf of the Company as may be required and to pass the special resolution with or without modification(s) as proposed in the statement of material fact:

   A statement under section 134(3) of the Companies Act, 2017 along with proposed resolutions to be passed as special resolutions pertaining to the aforesaid special businesses to be transacted at the said Annual General Meeting is annexed to the notice being sent to the members.

BY ORDER OF THE BOARD

**MULTAN**
Dated: October 06, 2023.

**AZHER IQBAL**
Company Secretary

# NOTES:

1. **CLOSURE OF SHARE TRANSFER BOOKS**

The Share Transfer Books of the Company will remain closed from October 21, 2023 to October 28, 2023 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 5-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 20, 2023 will be considered in time for the purpose to determine voting rights of the shareholders for attending and voting at the meeting.

2. **PARTICIPATION IN THE GENERAL MEETING:**

i. A member is entitled to appoint a proxy in his/her place to attend, speak and vote instead of him/her. A member can appoint only one proxy in his/her place who can exercise all rights of a member in the meeting. The instrument appointing a proxy, duly stamped and signed, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority must be deposited at the Registered Office of the Company, FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore not later than 48 hours before the time of the meeting. A proxy must be a member of the Company. Form of proxy in English and Urdu Language is enclosed herewith and also available on Company's website: www.fazalcloth,com.pk

ii. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

**A. For Attending the Meeting:**

i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/ her identity by showing his/ her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxies:**

i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/ her original CNIC or original passport at the time of the AGM.

## 3. PARTICIPATION IN THE AGM VIA THE VIDEO CONFERENCING FACILITY:

The Company shall provide video link facility for attending the annual general meeting. The members are encouraged to attend the AGM online, by following the below guidelines:

a. To attend the meeting through video link, members and their proxies are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) to the Company Secretary through WhatsApp at 0306-7370337 or email ID; corporate@fazalcloth.com.pk by October 20, 2023.

| Name of member | CNIC No. | CDC Account No/Folio No. | Cell Number | Email address |
|---|---|---|---|---|
| | | | | |

b. The members who shall be registered after the necessary verification shall be provided a link in email to attend the meeting. The Login facility will remain open from start of the meeting till its proceedings are concluded.

## 4. ELECTRONIC VOTING AND POSTAL BALLOT

It is hereby notified that pursuant to the Companies (Postal Ballot) Regulations, 2018 and its amendments notified vide SRO 2192(1)/2022 dated December 5, 2022, members will be allowed to exercise their right to vote for the special business (es) in the meeting, in accordance with the conditions mentioned in the aforesaid regulations. The Company shall provide its members with the following options for voting:

### i. E-VOTING PROCEDURE

a. Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business on October 20, 2023.

b. The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of M/s. Vision Consulting Ltd. (being the e-voting service provider).

c. Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

Members shall cast vote online at any time from October 24, 2023, 9:00 a.m. (PST) to October 27, 2023 till 5:00 p.m. (PST). Voting shall close on October 27, 2023, at 5:00 p.m. Once the vote on the resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

### ii. POSTAL BALLOT VOTING PROCEDURE

a. Members may alternatively opt for voting through postal ballot. Ballot Paper is attached with this notice and is also available on the Company's website www.fazalcloth.com within stipulated time to download.

b. The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore, or email at corporate@fazalcloth.com one day before the meeting, i.e., on October 27, 2023 before 05:00 pm. A postal ballot received after this time/date shall not be considered for voting. The signature on the Ballot Paper shall match with signature on the CNIC.

**5. UNCLAIMED DIVIDENDS AND BONUS SHARES**

Shareholders, who for any reason, could not claim their dividend and/or bonus shares are advised to contact our Shares Registrar M/s. Vision Consulting Ltd, Lahore to collect/enquire about their unclaimed dividends and/or bonus shares if any.

**6. E-DIVIDEND MANDATE**

As per Section 242 of the Companies Act, 2017, in the case of a public-listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account number (IBAN) and details in the Central Depository System through respective participants. In case of physical shares, they are requested to provide bank account details to our Share Registrar, M/s. Vision Consulting Ltd, Lahore. Please ensure an early update of your particulars to avoid any inconvenience.

**7. CONVERSION OF PHYSICAL SHARES INTO BOOK ENTRY FORM**

The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into script-less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Companies Act, 2017 (the Act), states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the promulgation of the Act.

## STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company.

**Special Business No.1**

The transactions carried out with the related parties were presented to the Board for their review and consideration as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. All these related party transactions during the mentioned period were executed at Arm's Length Price and in the ordinary course of business in a fair and transparent manner. However, the majority of Directors of the Company were related due to their common directorship and holding of shares in the associated companies, accordingly, the transactions were carried out under the authority of the special resolution passed by the shareholders in the last annual general meeting.

The following resolution is proposed to be passed as special resolution:

"**Resolved that** the following related party transactions carried out by the Company during the year ended June 30, 2023 be and are hereby ratified, confirmed and approved:

| Name of parties | Relationship | Transaction | Amount (Rs.) | Pricing Policy |
|---|---|---|---|---|
| Fatima Fertilizer Company Ltd | Common Directorship and 3.29 % (2022: 3.29%) shareholding | Dividend Income | 241,899,109 | N/A |
| | | Reimbursable expenses | 44,723 | N/A |
| | | Payments against expenses | 4,857,269 | N/A |
| Fatima Energy Limited | Sponsor / Associated undertaking | Purchase of electricity | 4,642,152,419 | Arm's Length |
| | | Payment against purchase of goods - net | 4,769,582,796 | N/A |
| Reliance Weaving Mills Limited | Common Directorship | Purchase of goods | 4,789,620 | Arm's Length |
| | | Sale of goods | 443,926,265 | Arm's Length |
| | | Receipts against sale of goods - net | 355,512,665 | N/A |
| Ahmed Fine Textile Mills Limited | Common Directorship | Purchase of goods and services | 2,351,455,588 | Arm's Length |
| | | Sale of goods | 13,479,026,630 | Arm's Length |
| | | Receipts against sale of goods and services - net | 9,923,809,923 | N/A |
| Fazal-ur-Rehman Foundation | Common Directorship/ Trustees | Donations | 3,680,979 | N/A |
| Pak Arab Energy Limited | Common Directorship | Mark-up accrued on long term advance | 4,932,861 | Arm's Length |
| Fazal Farm (Private) Limited | Common Directorship | Purchase of goods | 11,820,425 | Arm's Length |
| | | Payment against purchase of goods - net | 11,820,425 | N/A |
| Taary Zameen Par Trust | Common Directorship/ Trustees | Donations | 3,771,010 | N/A |
| Fatima Sugar Limited | Common Directorship | Reimbursable expenses | 11,933 | N/A |
| | | Payment against reimbursable expenses | 11,933 | N/A |
| Fazal Holding Limited | Common Directorship | Dividend Paid | 73,520,410 | N/A |
| Key Management Personnel | Key Management Personnel | Remuneration and other benefits | 54,473,769 | N/A |
| Directors | Director | Dividend Paid | 68,330,200 | N/A |

Special Business No.2

The Company shall be continuing to transact transactions with the related parties during the year ending June 30, 2024 and till the date of next annual general meeting on an arm's length basis as per approved policy with respect to 'transactions with related parties' in the ordinary course of business. The majority of the directors are interested in the related party transactions and the transactions shall be placed before the shareholders in next Annual General Meeting for their formal ratification / approval.

The following resolution is proposed to be passed as special resolution:

**"RESOLVED THAT** the Board of Directors of the Company be and are hereby authorized to approve the transactions to be carried out with Related Parties as and when required in the ordinary course of business at arm's length basis during the financial year ending June 30, 2024 till the next Annual General Meeting, without any limitation on the amounts to the transactions."

**"RESOLVED FURTHER THAT** the related party transaction approved by the board shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval".

**"RESOLVED FURTHER THAT** the Chief Executive, Chief Financial Officer and Company Secretary be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) with the Related Parties and to complete all legal formalities including filing of documents as may be necessary or incidental or expedient for the purpose of implementing the aforesaid resolutions."

**STATEMENT UNDER REGULATION 4 (2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017**

Name of Associated Company / Undertaking: **Fatima Transmission Company Limited (FTCL)**

| Sr. No. | Description | Loans / advances | |
|---|---|---|---|
| a) | Total investment approved | 250,000,000 | |
| b) | Amount of investment made to date | 0 | |
| c) | Reasons for not having made complete investment so far where resolution required it to be implemented in specific time. | Facility is in the nature of Sponsor Support Agreement and the Company as sponsor has committed with the NIB Bank, in case of default by FTCL, to pay the outstanding amount. | |
| d) | Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company. | **2022** | **2021** |
| | | **------------- Rupees -------------** | |
| I | Loss per share - basic & diluted | (2.39) | (3.48) |
| Ii | Net Loss | (55,082,820) | (80,132,123) |
| iii | Shareholders' Equity | 274,017,161 | (87,627,019) |
| Iv | Total Assets | 671,735,600 | 688,806,515 |
| V | Break-up value | 11.91 | (3.81) |

Name of Associated Company / Undertaking: **Fatima Energy Limited (FEL)**

| Sr. No. | Description | Equity | | Loans / advances | |
|---|---|---|---|---|---|
| a) | Total investment approved | 2,000,000,000 | 282,000,000 | 500,000,000 | 6,000,000,000 |
| b) | Amount of investment made to date | 0 | 0 | 442,077,112 | 400,000,000 |
| c) | Reasons for not having made complete investment so far where resolution required it to be implemented in specific time | Conversion of accrued markup into preference shares of FEL after approval from Securities and Exchange Commission of Pakistan. | Amount will be invested in preference shares of FEL offered to the Company as right shares or otherwise than right shares in future. | Waiting for an appropriate time in the interest of the shareholders for complete utilization. | Facility is in the nature of Sponsor Support Agreement and the Company as sponsor commits to pay FEL's lender Banks in case of default by FEL. |
| d) | Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company. | **2022** | **2021** | **2022** | **2021** |
| I | Loss per share - Rupees | (18.68) | (3.82) | (18.68) | (3.82) |
| Ii | Net Loss - Rs. In '000 | (10,649,212) | (2,177,761) | (10,649,212) | (2,177,761) |
| Iii | Shareholders' Equity - Rs. In '000 | 10,221,532 | 10,228,880 | 10,221,532 | 10,228,880 |
| Iv | Total Assets - Rs. In '000 | 29,614,628 | 30,118,269 | 29,614,628 | 30,118,269 |
| V | Break-up value - Rs. In '000 | 17.93 | 17.95 | 17.93 | 17.95 |

# POSTAL BALLOT PAPER

**FOR VOTING THROUGH POST FOR SPECIAL BUSINESS AT ANNUAL GENERAL MEETING TO BE HELD ON Saturday, OCTOBER 28, 2023 AT 03:00 P.M. AT FG HEAD OFFICE, E/110, KHAYABAN-E-JINNAH, DEFENCE CHOWK, LAHORE**
**(www.fazalcloth.com)**

Email address of the Chairman at which duly filled ballot paper may be sent: **corporate@fazalcloth.com**

| | |
|---|---|
| Name of shareholder/joint shareholders | |
| Registered Address | |
| Number of shares held and folio number | |
| CNIC Number (copy to be attached) | |
| Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.) | |

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (√) mark in the appropriate box below (delete as appropriate);

| | | | |
|---|---|---|---|
| **Agenda item no. 1**<br><br>"**RESOLVED THAT** the related party transactions carried out by the Company during the year ended June 30, 2023 be and are hereby ratified, confirmed and approved". | **No of ordinary shares for which votes cast** | **I/We assent to the Resolutions (For)** | **I/We dissent to the Resolutions (Against)** |
| **Agenda item no. 2**<br><br>"**RESOLVED THAT** the Board of Directors of the Company be and are hereby authorized to approve the transactions to be conducted with Related Parties as and when required in the ordinary course of business at arm's length basis during the financial year ending June 30, 2024 without any limitation on the amounts to the transactions."<br><br>"**RESOLVED FURTHER THAT** the related party transaction approved by the board shall be placed before the shareholders in the next Annual General Meeting for their formal ratification / approval, if required".<br><br>"**RESOLVED FURTHER THAT** the Chief Executive, Chief Financial Officer and Company Secretary be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) with the Related Parties and to complete all legal formalities including filing of documents as may be necessary or incidental or expedient for the purpose of implementing the aforesaid resolutions." | **No of ordinary shares for which votes cast** | **I/We assent to the Resolutions (FOR)** | **I/We dissent to the Resolutions (AGAINST)** |

**NOTES:**

1. Dully filled postal ballot should be sent to chairman, Fazal Cloth Mills Ltd., FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore or email at corporate@fazalcloth.com.
2. Copy of CNIC / Passport (in case of foreigner) should be enclosed with the postal ballot form.
3. Postal ballot forms should reach chairman of the meeting on or before October 27, 2023. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC / Passport (in case of foreigner).
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.
6. In case of corporate entity, Ballot Paper Form must be accompanied by the Board of Directors' resolution / power of attorney with specimen signature and copy of CNIC of the nominee etc. in accordance with Section(s) 138 or 139 of the Companies Act, 2017, as applicable.
7. Ballot Paper Form has also been placed on company's website i.e. www.fazalcloth.com. Members may download Ballot Paper Form from the website or use the original / photocopy as published in newspapers.

# FORM OF PROXY

## FAZAL CLOTH MILLS LIMITED

I ____________________________, of______________________ being a member of the **Fazal Cloth Mills Limited** and holder of __________ Shares as per Folio No. ______ and/or CDC Participation ID # __________ and Sub Account # _________do hereby appoint Mr.__________________________________ of ______________________________________ or failing him/her Mr.____________________________________ of ______________________________ having Folio No. ______CDC Participation ID # __________ and Sub Account # _________as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the company scheduled to be held on **Saturday**, **October 28, 2023** at **03:00 p.m.**, and at any adjournment thereof at registered office of the Company FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore.

At witness my/our hand this ___________day of __________________ 2023.

1. Name ______________________________________

   N.I.C ______________________________________

   Address ______________________________________

   ______________________________________

Please affix
Revenue Stamps
of Rs. 5/-

2. Name ______________________________________

   N.I.C ______________________________________

   Address ______________________________________

   ______________________________________

**Member's signature**

(This signature should agree with specimen registered with the Company)

**Notes:**

1. A member entitled to attend and vote at this meeting may appoint any other member as his / her proxy to attend, speak and vote instead of him / her. A proxy must be a member of the Company.
2. A member shall not be entitled to appoint more than one proxy.
3. The instrument appointing a proxy must be duly signed and witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of the CNIC or the Passport of beneficial owners and the proxy shall be furnished along with the proxy form. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished along with the proxy form.
5. Proxies in order to be valid, must be received at head office 59/3, Abdali Road, Multan not later than forty eight (48) hours before the time scheduled for the meeting.
6. The proxy shall produce his original CNIC or original Passport at the time of the Meeting.

# اطلاع برائے 58 واں سالانہ اجلاس عام

# فضل کلاتھ ملز لمیٹڈ

# فضل کلاتھ ملز لمیٹڈ

## اطلاع برائے 58واں سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 58واں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ آفس، ایف، جی، ہیڈ آفس، E110، خیابان جناح، ڈیفنس چوک، لاہور پر درج ذیل امور کی انجام دہی کیلئے بروز ہفتہ 28 اکتوبر 2023ء کو دوپہر 03:00 بجے منعقد ہوگا۔

**عام امور:**

1۔ 30 جون 2023 کو ختم ہونے والے سال کے لئے کمپنی کے سالانہ نظرثانی شدہ مالی تفصیلات معہ اُن پر چیئرمین کا جائزہ، ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، غوروخوض اور منظوری دینا۔

جیسا کہ کمپنیز ایکٹ، 2017 کے سیکشن 223(7) کے تحت اور S.R.O. 389(I)/2023 مورخہ 21 مارچ 2023 کی ضروریات کے مطابق درکار ہے کہ، کمپنی کے سالانہ مالیاتی گوشوارے کمپنی کی ویب سائٹ پر پوسٹ کیے گئے ہیں، جنہیں درج ذیل لنک اور QR فعال کوڈ کا استعمال کرتے ہوئے ملاحظہ/ ڈاؤن لوڈ کیا جاسکتا ہے:

ویب لنک: https://fazalcloth.com/FinancialReports/annual-report-ended-30-2023.pdf

2۔ مالی سال 2023-24 کے لئے آڈیٹرز کا تقرر اور ان کے معاوضہ کا تعین کرنا۔ ریٹائر ہونے والے آڈیٹرز میسرز کے۔ پی۔ ایم۔ جی۔ (KPMG) تاثیر ہادی اینڈ کمپنی،، چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی بناء پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔

**خصوصی امور:**

1. 30 جون 2023 کو ختم ہونے والے سال کے دوران ایسوسی ایٹڈ کمپنیوں/ متعلقہ فریقوں کے ساتھ کاروبار کے معمول کے دوران کیے گئے لین دین کی توثیق اور منظوری کے لئے 25 نومبر، 2022 کو کو منعقدہ آخری سالانہ اجلاس عام میں منظور کردہ قرارداد کے اختیار کے تحت، اور خصوصی قرارداد کے ساتھ یا اس کے بغیر منظور کرنا یا ترمیم کرنا، جیسا کہ مادی حقائق کے بیان میں تجویز کیا گیا ہے۔

2. کمپنی کے بورڈ آف ڈائریکٹرز کو 30 جون، 2024 کو ختم ہونے والے مالی سال کے دوران اور اگلے سالانہ اجلاس عام کی تاریخ تک متعلقہ فریقوں کے ساتھ لین دین کی منظوری دینے کے لئے اور اسے مزید تمام ضروری اقدامات کرنے کا اختیار دینے کے لئے، کمپنی کی جانب سے کسی بھی اور اس طرح کے تمام دستاویزات / ضمیمہ پر دستخط کرنے / عمل میں لانے کے لئے اور جیسا کہ مادی حقیقت کے بیان میں تجویز کردہ ترمیم کے ساتھ یا اس کے بغیر خصوصی قرارداد پاس کرنا۔

کمپنیز ایکٹ 2017 کے سیکشن (3)134 کے تحت مادی حقائق کا بیان جو خصوصی امور سے متعلق اوپر بیان کیا گیا ہے اس نوٹس اجلاس کے ساتھ منسلک ممبران کو ارسال کیا جا رہا ہے۔

بحکم بورڈ

اظہر اقبال

کمپنی سیکرٹری

ملتان

6 اکتوبر 2023ء

## نوٹس:

حصص کی منتقلی کی کتابوں کی بندش:

1۔کمپنی کے ممبران کا رجسٹر 21 اکتوبر 2023ء تا 28 اکتوبر 2023ء (بشمول دونوں ایام) بند رہے گا۔منتقلیاں کمپنی کے شیئرز رجسٹرار کے دفتر ،میسرز وژن کنسلٹنگ لمیٹڈ، C-5 ایل ڈی اے فلیٹس، پہلی منزل، لارنس روڈ، لاہور میں 20 اکتوبر 2023ء کو کاروبار کے اختتام تک وصول ہونے والی ٹرانسفریز کے نام میں رجسٹریشن اور AGM میں شرکت اور ووٹنگ کے مقصد کے لئے بروقت تصور ہونگی۔

**2۔اجلاس عام میں شرکت:**

i۔ اجلاس میں شرکت اور ووٹ دینے کا مستحق کوئی ممبر اپنی بجائے شرکت اور ووٹ دینے کیلئے کسی دیگر ممبر کو اپنا/اپنی پراکسی مقرر کر سکتا/سکتی ہے۔ایک ممبر اپنی جگہ پر صرف ایک پراکسی مقرر کر سکتا ہے جو میٹنگ میں ممبر کے تمام حقوق استعمال کر سکے۔ پراکسی کا تقرر کرنے والا انسٹرومنٹ، جس پر صحیح طریقے سے مہر لگی ہوئی ہو، دستخط شدہ ہو، اور پاور آف اٹارنی یا دیگر اتھارٹی (اگر کوئی ہو) جس کے تحت اس پر دستخط کئے گئے ہوں یا پاور آف اٹارنی یا اتھارٹی کی نوٹری سے تصدیق شدہ پراکسی فارم اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس ایف، جی، ہیڈ آفس، E/110، خیابان جناح، ڈیفنس چوک، لاہور میں لازماً وصول ہو جانی چاہئیں۔ پراکسی ہولڈر کا کمپنی ممبر ہونا ضروری ہے۔ پراکسی فارم کمپنی کی ویب سائٹ www.fazalcloth.com.pk پر انگریزی اور اردو میں منسلک ہے۔

ii۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری شدہ سرکلر نمبر 1 مورخہ 26 جنوری 2000 کے تحت درکار تمام ایسے دستاویزات کی مصدقہ نقول فراہم کرنی چاہئیں۔

**A۔ اجلاس میں شرکت کے لئے:**

i۔ انفرادی بینفشل مالک جو اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ہو کو اپنی شناخت ثابت کرنے کے لئے اپنا CNIC یا پاسپورٹ لازماً ہمراہ لانا چاہئے، اور پراکسی کی صورت میں اپنے CNIC یا پاسپورٹ کی مصدقہ کاپی لازماً لف کرنی چاہئے۔

ii۔ کارپوریٹ ادارے کی صورت میں، نمائندہ کو اس مقصد کے لئے نمونہ دستخط کے ساتھ بورڈ کی قرارداد/مختارنامہ کی مصدقہ نقول (جب تک یہ پہلے فراہم نہ کی گئی ہوں) فراہم کرنی چاہئیں۔

**B۔ پراکسی کا تقرر:**

i۔ افراد کے معاملے میں، اکاؤنٹ ہولڈر/یا وہ شخص جس کی سیکیورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات ضوابط کے مطابق اپ لوڈ کی گئی ہیں۔مندرجہ بالا تقاضوں کے تحت پراکسی فارم جمع کرائیں گے۔

ii۔ پراکسی فارم پر دو گواہ ہوں گے، جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں گے۔

iii۔ CNIC کی تصدیق شدہ کاپیاں یا فائدہ اٹھانے والے مالکان کے پاسپورٹ اور پراکسی کو پراکسی فارم کے ساتھ پیش کیا جائیگا۔

iv۔ پراکسی ہولڈر AGM کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کریگا۔

**3۔ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کی سہولت:**

کمپنی سالانہ اجلاس عام میں شرکت کے لئے ویڈیو لنک کی سہولت فراہم کرے گی۔اراکین کو مندرجہ ذیل رہنما خطوط پر عمل کرتے ہوئے آنلائن AGM میں شرکت کرنے کی ترغیب دی جاتی ہے۔

a) ویڈیو لنک کے ذریعے میٹنگ میں شرکت کے لئے ممبران اوران کی پراکسیز سے درخواست کی جاتی ہے کہ وہ کمپیوٹرائزڈ شناخت کارڈ (دونوں طرف) /پاسپورٹ، بورڈ کی قرارداد کی تصدیق شدہ کاپی /پاور آف اٹارنی کی درست کاپی کے ساتھ کارپوریٹ شیئر ہولڈرز کمپنی سیکرٹری کو واٹس ایپ کے ذریعے نمبر 0306-7370337یا ای میل آئی۔ڈی corporate@fazalcloth.com.pk پر20اکتوبر،2023 تک درج ذیل معلومات فراہم کر کے اپنے آپ کو رجسٹرڈ کریں۔

| Email address | Cell Number | CDC Account No/Folio No. | CNIC No. | ممبر کا نام |
|---|---|---|---|---|
| | | | | |

b) ضروری تصدیق کے بعد رجسٹرڈ ہونے والے ممبران کو میٹنگ میں شرکت کے لئے ای میل میں ایک لنک فراہم کیا جائے گا۔ لاگ ان کی سہولت میٹنگ کے آغاز سے اس کی کاروائی کے اختتام تک کھلی رہے گی۔

**4۔ الیکٹرانک ووٹنگ اور پوسٹل بیلٹ:**

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنیز (پوسٹل بیلٹ) ریگولیشنز،2018 اور2022/(1)SRO 2192 مورخہ 5 دسمبر 2022 کی رُو سے اس کی ترامیم کے تحت، اراکین کو اجلاس میں، مذکورہ ضوابط میں بیان کردہ شرائط کے مطابق خصوصی امور کے لیے اپنے ووٹ کا حق استعمال کرنے کی اجازت ہوگی۔ کمپنی اپنے اراکین کو ووٹنگ کے لیے درج ذیل اختیارات فراہم کرے گی:

**ای ووٹنگ کا طریقہ کار:**

a۔ ای ووٹنگ کی سہولت کی تفصیلات کمپنی کے ان ممبروں کے ساتھ ای میل کے ذریعے شیئر کی جائیں گی جن کے 20 اکتوبر 2023 کو کاروبار کے اختتام تک کمپنی کے ممبران کے رجسٹر میں کارآمد CNIC نمبر، سیل نمبر، اور ای میل ایڈریس دستیاب ہوں گے۔

b۔ ویب ایڈریس، لاگ ان کی تفصیلات، اور پاس ورڈ، ای میل کے ذریعے اراکین کو مطلع کیا جائے گا۔ سیکیورٹی کوڈز ممبران کو CDC شیئر رجسٹرار سروس لمیٹڈ کے ویب پورٹل سے ایس ایم ایس کے ذریعے بتائے جائیں گے۔

c۔ ای ووٹنگ کے ذریعے ووٹ ڈالنے کا ارادہ رکھنے والے اراکین کی شناخت الیکٹرانک دستخط یا لاگ ان کے لیے تصدیق کے ذریعے کی جائے گی۔

اراکین 24 اکتوبر 2023 صبح 9:00 بجے (PST) سے 27 اکتوبر 2023 شام 5:00 بجے (PST) تک کسی بھی وقت آن لائن ووٹ ڈالیں گے۔ ووٹنگ 27 اکتوبر، 2023 کو شام 5:00 بجے بند ہوگی۔ ایک بار جب کسی رکن کی طرف سے قرارداد پر ووٹ ڈال دیا گیا، تو اسے بعد میں تبدیل کرنے کی اجازت نہیں ہوگی۔

**ii۔ پوسٹل بیلٹ ووٹنگ کا طریقہ کار:**

a ۔ اراکین متبادل طور پر پوسٹل بیلٹ کے ذریعے ووٹ ڈالنے کا انتخاب کر سکتے ہیں۔ اراکین کی سہولت کے لیے بیلٹ پیپر کمپنی کی ویب سائٹ www.fazalcloth.com پر ڈاؤن لوڈ کرنے کے لیے مقررہ وقت کے اندر دستیاب ہوں گے۔

b۔ اراکین کو یقینی بنانا چاہیے کہ صحیح طریقے سے پُر شدہ اور دستخط شدہ بیلٹ پیپر، کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی کاپی کے ہمراہ کمپنی کے رجسٹرڈ آفس، ایف، جی، ہیڈ آفس، E/110، خیابان جناح، ڈیفنس چوک، لاہور، یا corporate@fazalcloth.com پر ای میل کے ذریعے AGM سے ایک دن پہلے، یعنی 27 اکتوبر 2023 کو شام 05:00 بجے سے پہلے پہنچ جانا چاہیے۔ اس وقت/تاریخ کے بعد موصول ہونے والا پوسٹل بیلٹ ووٹنگ کے لیے زیر غور نہیں لایا جائے

گا۔ بیلٹ پیپر پر دستخط CNIC پر دستخط سے مماثل ہوں گے۔

**5۔غیر دعویدار ڈیویڈنڈز اور بونس شیئرز:**

ایسے شیئر ہولڈرز جو کسی بھی وجہ سے اپنے ڈیویڈنڈز/بونس شیئرز کو کلیم نہیں کر سکے وہ اپنے غیر دعویٰ شدہ منافع یا بونس شیئرز (اگر کوئی ہو) کے لئے ہمارے شیئرز رجسٹرار میسرز ویژن کنسلٹنگ لمیٹڈ، لاہور سے رابطہ کر سکتے ہیں۔

**6۔ای ڈیویڈنڈ مینڈیٹ:**

کمپنیز ایکٹ، 2017 کے سیکشن 242 کے مطابق، پبلک لسٹڈ کمپنی کے لئے لازم ہے، قابل ادائیگی کیش ڈیویڈنڈ صرف الیکٹرانک ذریعے سے براہ راست حقدار شیئر ہولڈر کے نامزد کردہ بنک اکاؤنٹ میں بھیج دیا جائے گا۔لہذا اس نوٹس کے ذریعے تمام حصص یافتگان سے درخواست کی جاتی ہے کہ وہ اپنے بینک اکاؤنٹ نمبرز (IBAN) اور تفصیلات متعلقہ شرکاء کے ذریعے سنٹرل ڈیپازٹری سسٹم میں اپڈیٹ کریں۔فزیکل شیئرز کی صورت میں، ممبران سے درخواست کی جاتی ہے کہ وہ ہمارے شیئر رجسٹرار میسرز ویژن کنسلٹنگ لمیٹڈ، لاہور کو بینک اکاؤنٹ کی تفصیلات فراہم کریں۔کسی بھی قسم کی تکلیف سے بچنے کے لئے برائے مہربانی اپنی تفصیلات کی جلد از جلد اپڈیٹ کو یقینی بنائیں۔

**7۔فزیکل شیئرز کو بک انٹری فارم میں تبدیل کرنا:**

فزیکل شیئر ہولڈنگ رکھنے والے شیئر ہولڈرز کسی بھی بروکر کے ساتھ سی ڈی سی کے ذریعے ذیلی اکاؤنٹ کھول سکتے ہیں یا سی ڈی سی کے ساتھ براہ راست انویسٹر اکاؤنٹ کھول سکتے ہیں تا کہ اپنے فزیکل شیئرز کو سکرپٹ سے کم شکل میں رکھ سکیں یہ انہیں کئی طریقوں سے سہولت فراہم کرے گا بشمول حصص کی محفوظ تحویل اور فروخت، جب وہ چاہیں کیونکہ سٹاک ایکسچینج کے موجودہ ضوابط کے مطابق فزیکل شیئرز کی تجارت کی اجازت نہیں ہے۔مزید کمپنیز ایکٹ، 2017 کے سیکشن 72 کے مطابق، تمام موجودہ کمپنیوں کے لئے لازم ہے کہ وہ کمپنیز ایکٹ، 2017 کے نفاذ کے چار سال کے اندر اپنے فزیکل شیئرز کو بک انٹری فارم میں تبدیل کریں۔ہم یہاں کمپنی کے ایسے تمام ممبران سے درخواست کرتے ہیں جو فزیکل فارم میں شیئرز رکھتے ہیں اپنے شیئرز کو جلد از جلد بک انٹری فارم میں تبدیل کریں۔انہیں سنٹرل ڈیپازیٹری کمپنی آف پاکستان لمیٹڈ یا پاکستان اسٹاک ایکسچینج کے کسی بھی فعال ممبر/اسٹاک بروکر سے رابطہ کرنے کا مشورہ دیا جاتا ہے تا کہ وہ سنٹرل ڈیپازیٹری سسٹم میں اکاؤنٹ کھولیں اور اپنے فزیکل شیئرز کو بک انٹری فارم میں تبدیل کریں۔

## کمپنیز ایکٹ، 2017 کے سیکشن (3)134 کے تحت مادی حقائق کا بیان

یہ بیان کمپنی کے سالانہ اجلاس عام میں لین دین کے نوٹس کے خصوصی کاروبار سے متعلق مادی حقائق کا تعین کرتا ہے۔

**خصوصی کاروبار نمبر 1:**

متعلقہ کمپنیوں/متعلقہ پارٹیوں کے ساتھ کئے گئے لین دین کو بورڈ نے منظور کیا ہے جیسا کہ آڈٹ کمیٹی نے قابل اطلاق قوانین کی دفعات کے مطابق سہ ماہی بنیادوں پر سفارش کی ہے۔مذکورہ مدت کے دوران یہ تمام متعلقہ فریق، لین دین، بڑھتی ہوئی قیمتیں اور عام کاروبار کے دوران منصفانہ اور شفاف طریقے سے انجام پائے۔تاہم کمپنی کے ڈائریکٹرز اپنی مشترکہ ڈائریکٹرشپ اور متعلقہ کمپنیوں میں ان میں حصص کی حد تک اس قرارداد میں دلچسپی رکھتے ہیں۔اس کے مطابق لین دین گزشتہ سالانہ میٹنگ میں شیئر ہولڈرز کی طرف سے منظور کردہ خصوصی قرارداد کے اختیار کے تحت کئے گئے تھے۔

مندرجہ ذیل قرارداد کو خصوصی قرارداد کے طور پر منظور کرنے کی تجویز دی گئی ہے۔

قرار پایا کہ، 30 جون، 2023 کو ختم ہونے والے سال کے دوران کمپنی کی طرف سے کی گئی درج ذیل متعلقہ پارٹی لین دین کی توثیق، تصدیق اور منظوری دی جاتی ہے۔

| Name of parties | Relationship | Transaction | Amount (Rs.) | Pricing Policy |
|---|---|---|---|---|
| Fatima Fertilizer Company Ltd | Common Directorship and 3.29 % (2022: 3.29%) shareholding | Dividend Income | 241,899,109 | N/A |
| | | Reimbursable expenses | 44,723 | N/A |
| | | Payments against expenses | 4,857,269 | N/A |
| Fatima Energy Limited | Sponsor / Associated undertaking | Purchase of electricity | 4,642,152,419 | Arm's Length |
| | | Payment against purchase of goods - net | 4,769,582,796 | N/A |
| Reliance Weaving Mills Limited | Common Directorship | Purchase of goods | 4,789,620 | Arm's Length |
| | | Sale of goods | 443,926,265 | Arm's Length |
| | | Receipts against sale of goods - net | 355,512,665 | N/A |
| Ahmed Fine Textile Mills Limited | Common Directorship | Purchase of goods and services | 2,351,455,588 | Arm's Length |
| | | Sale of goods | 13,479,026,630 | Arm's Length |
| | | Receipts against sale of goods and services - net | 9,923,809,923 | N/A |
| Fazal-ur-Rehman Foundation | Common Directorship/ Trustees | Donations | 3,680,979 | N/A |
| Pak Arab Energy Limited | Common Directorship | Mark-up accrued on long term advance | 4,932,861 | Arm's Length |
| Fazal Farm (Private) Limited | Common Directorship | Purchase of goods | 11,820,425 | Arm's Length |
| | | Payment against purchase of goods - net | 11,820,425 | N/A |
| Taary Zameen Par Trust | Common Directorship/ Trustees | Donations | 3,771,010 | N/A |
| Fatima Sugar Limited | Common Directorship | Reimbursable expenses | 11,933 | N/A |
| | | Payment against reimbursable expenses | 11,933 | N/A |
| Fazal Holding Limited | Common Directorship | Dividend Paid | 73,520,410 | N/A |
| Key Management Personnel | Key Management Personnel | Remuneration and other benefits | 54,473,769 | N/A |
| Directors | Director | Dividend Paid | 68,330,200 | N/A |

## خصوصی کاروبار نمبر 2:

کمپنی 30 جون، 2024 کو ختم ہونے والے سال کے دوران متعلقہ فریقوں کے ساتھ منظور شدہ پالیسی اور معمول کے کاروبار کے تحت **arm's lenght prices** کی بنیاد پر لین دین کرے گی۔ ڈائریکٹرز کی اکثریت شیئر ہولڈنگ کی وجہ سے متعلقہ فریقین کے ساتھ لین دین میں دلچسپی رکھتی ہے، لین دین کو ان کی باضابطہ توثیق / منظوری کے لئے اگلے سالانہ اجلاس عام میں شیئر ہولڈرز کے سامنے رکھا جائے گا۔

مندرجہ ذیل قرارداد کو خصوصی قرارداد کے طور پر منظور کرنے کی تجویز دی گئی ہے۔

قرار پایا کہ کمپنی کے بورڈ آف ڈائیریکٹرز کو 30 جون، 2024 کو ختم ہونے والے مالی سال کے دوران جب بھی لین دین کی ضرورت ہو، بغیر کسی پابندی کے متعلقہ فریقین کے ساتھ لین دین کی منظوری دینے کا اختیار دیا گیا ہے۔

قرار پایا کہ بورڈ کی طرف سے منظور شدہ متعلقہ پارٹی ٹرانز یکشنز کو اگلی سالانہ جنرل میٹنگ میں، اگر ضرورت ہو تو ان کی باضابطہ توثیق / منظوری کے لئے شیئر ہولڈرز کے سامنے رکھا جائے گا۔

قرار پایا کہ چیف ایگزیکٹو، چیف فنانشل آفیسر اور کمپنی سیکریٹری اکیلے بااختیار اور مجاز ہیں کہ وہ تمام کاموں، معاملات، اعمال اور چیزوں کو کرنے، متعلقہ فریقین کے ساتھ معاہدے کرنے اور ان پر عمل درآمد سمیت کوئی بھی یا ضروری کاروائیاں کریں۔ فریقین اور مزکورہ قراردادوں پر عمل درآمد کے مقصد کے لئے یا حادثاتی طور پر ضروری ہو، دستاویزات کی فائلنگ سمیت تمام قانونی رسمی کاروائیوں کو مکمل کریں۔

کمپنیوں کے ضابطہ نمبر 4(2) کے تحت بیان (متعقہ کمپنیوں میں سرمایہ کاری یا اس سے وابستہ انڈرٹیکنگز) ریگولیشنز، 2017

متعلقہ کمپنی/انڈرٹیکنگ کا نام: فاطمہ ٹرانسمیشن کمپنی لمیٹڈ (FTCL)۔

| Sr. No. | Description | Loans / advances | |
|---|---|---|---|
| a) | Total investment approved | 250,000,000 | |
| b) | Amount of investment made to date | 0 | |
| c) | Reasons for not having made complete investment so far where resolution required it to be implemented in specific time. | Facility is in the nature of Sponsor Support Agreement and the Company as sponsor has committed with the NIB Bank, in case of default by FTCL, to pay the outstanding amount. | |
| d) | Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company. | **2022** | **2021** |
| | | ------------- Rupees ------------- | |
| I | Loss per share - basic & diluted | (2.39) | (3.48) |
| Ii | Net Loss | (55,082,820) | (80,132,123) |
| iii | Shareholders' Equity | 274,017,161 | (87,627,019) |
| Iv | Total Assets | 671,735,600 | 688,806,515 |
| V | Break-up value | 11.91 | (3.81) |

متعلقہ کمپنی/انڈرٹیکنگ کا نام: فاطمہ انرجی لمیٹڈ (FEL)۔

| Sr. No. | Description | Equity | | Loans / advances | |
|---|---|---|---|---|---|
| a) | Total investment approved | 2,000,000,000 | 282,000,000 | 500,000,000 | 6,000,000,000 |
| b) | Amount of investment made to date | 0 | 0 | 442,077,112 | 400,000,000 |
| c) | Reasons for not having made complete investment so far where resolution required it to be implemented in specific time | Conversion of accrued markup into preference shares of FEL after approval from Securities and Exchange Commission of Pakistan. | Amount will be invested in preference shares of FEL offered to the Company as right shares or otherwise than right shares in future. | Waiting for an appropriate time in the interest of the shareholders for complete utilization. | Facility is in the nature of Sponsor Support Agreement and the Company as sponsor commits to pay FEL's lender Banks in case of default by FEL. |
| d) | Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company. | **2022** | **2021** | **2022** | **2021** |
| I | Loss per share - Rupees | (18.68) | (3.82) | (18.68) | (3.82) |
| Ii | Net Loss - Rs. In '000 | (10,649,212) | (2,177,761) | (10,649,212) | (2,177,761) |
| Iii | Shareholders' Equity - Rs. In '000 | 10,221,532 | 10,228,880 | 10,221,532 | 10,228,880 |
| Iv | Total Assets - Rs. In '000 | 29,614,628 | 30,118,269 | 29,614,628 | 30,118,269 |
| V | Break-up value - Rs. In '000 | 17.93 | 17.95 | 17.93 | 17.95 |

# پوسٹل بیلٹ پیپر

بروز ہفتہ، 28 اکتوبر، 2023 کو دوپہر 03:00 بجے منعقد ہونے والے
سالانہ اجلاس عام میں خصوصی کاروبار کے لئے پوسٹ کے ذریعے ووٹنگ کے لئے
رجسٹرڈ ہیڈ آفس ایف، جی، ہیڈ آفس، E/110، خیابان جناح، ڈیفنس چوک، لاہور
(www.fazalcloth.com)
چیئرمین کا ای میل پتہ جس پر صحیح طریقے سے بھرا ہوا بیلٹ پیپر بھیجا جا سکتا ہے:
(corporate@fazalcloth.com)

شیئر ہولڈر کا نام ____________________

رجسٹرڈ پتہ ____________________

شیئرز کی تعداد اور فولیو نمبر ____________________

شناختی کارڈ نمبر اور اسکی کاپی ____________________

اضافی معلومات اور انکلوژرز (باڈی کارپوریٹ کارپوریشن اور وفاقی حکومت کے نمائندے کی صورت میں) ____________________

میں/ہم مندرجہ ذیل قراردادوں کے سلسلے میں پوسٹل بیلٹ کے ذریعے اپنا/ہمارا ووٹ استعمال کرتے ہیں اور ذیل میں دیئے گئے مناسب باکس میں Tick ✓ کا نشان لگا کر اپنی ہماری رضامندی یا اختلاف رائے سے آگاہ کرتے ہیں (مناسب طور پر حزف کریں)

| ایجنڈا آئیٹم نمبر۔1<br><br>قرار پایا کہ، وابستہ کمپنیوں (متعلقہ فریقین) کے ساتھ معمول کے کاروبار میں کیے گئے لین دین کو سال کے اختتام 30 جون، 2023 کی بنیادوں پر آڈٹ کمیٹی کی سفارش کے مطابق بورڈ نے منظور کیا۔<br><br>ایجنڈا آئیٹم نمبر۔2<br><br>قرار پایا کہ کمپنی کے بورڈ آف ڈائیریکٹرز کو 30 جون، 2024 کو ختم ہونے والے مالی سال کے دوران جب بھی لین دین کی رقم کی ضرورت ہو، بغیر کسی پابندی کے متعلقہ فریقین کے ساتھ لین دین کی منظوری دینے کا اختیار دیا گیا ہے۔<br><br>قرار پایا کہ بورڈ کی طرف سے منظور شدہ متعلقہ پارٹی ٹرانزیکشنز کو اگلی سالانہ جنرل میٹنگ میں ،اگر ضرورت ہو تو ان کی باضابطہ توثیق / منظوری کے لئے شیئر ہولڈرز کے سامنے رکھا جائے گا۔<br><br>قرار پایا کہ چیف ایگزیکٹو، چیف فنانشل آفیسر اور کمپنی سیکریٹری بااختیار اور مجاز ہیں کہ وہ تمام کاموں، معاملات، اعمال اور چیزوں کو کرنے، متعلقہ فریقین کے ساتھ معاہدے کرنے اور ان پر عمل درآمد سمیت کوئی بھی یا ضروری کاروائی کر سکتے ہیں۔ فریقین اور مزکورہ قراردادوں پر عمل درآمد کے مقصد کے لئے جو بھی ضروری ہو، دستاویزات کی فائلنگ سمیت تمام قانونی رسمی کاروائیوں کو مکمل کریں۔ | حصص کی تعداد جس کے لئے ووٹ ڈالے گئے | میں / ہم قراردادوں کی منظوری دیتے ہیں (برائے) | میں / ہم قراردادوں سے اختلاف کرتے ہیں (خلاف) |
|---|---|---|---|

## نوٹس:

1۔ پوسٹل بیلٹ کو مناسب طریقے سے پر کر کے چیئرمین کو ہیڈ آفس ایف ، جی ، ہیڈ آفس، E/110، خیابان جناح، ڈیفنس چوک، لاہور پر ارسال کریں یا پھر کمپنی کو corporate@fazalcloth.com پر ای میل کریں۔

2۔ CNIC یا پاسپورٹ کی کاپی (غیر ملکی ہونے کی صورت میں) پوسٹل بیلٹ کے ساتھ منسلک کریں۔

3۔ پوسٹل بیلٹ فارم 27 اکتوبر، 2023 کو یا اس سے پہلے اجلاس کے چیئرمین تک پہنچ جانے چاہیں، اس تاریخ کے بعد موصول ہونے والا کوئی بھی پوسٹل بیلٹ فارم ووٹنگ کے لیے زیر غور نہیں آئے گا۔

4۔ پوسٹل بیلٹ پر دستخط CNIC یا پاسپورٹ کے دستخط سے مماثل ہونے چاہیئں (غیر ملکی ہونے کی صورت میں)۔

5۔ نامکمل، بغیر دستخط شدہ، غلط، مسخ شدہ، پھٹا ہوا، زیادہ لکھا ہوا بیلٹ پیپر مسترد کر دیا جائے گا۔

6۔ کارپوریٹ ادارے کی صورت میں ، بیلٹ پیپر فارم کے ساتھ بورڈ آف ڈائریکٹر کی قرارداد / مختارنامہ کے ساتھ نمونہ کے دستخط ، اور نامزد شخص کے CNIC کی کاپی کمپنی ایکٹ، 2017 کے سیکشن (138) یا (139) کے مطابق ہونا ضروری ہے۔

7۔ بیلٹ پیپر فارم کمپنی کی ویب سائٹ www.fazalcloth.com پر بھی رکھا گیا ہے۔ اراکین ویب سائٹ سے بیلٹ پیپر ڈاؤن لوڈ کر سکتے ہیں یا اخبارات میں شائع ہونے والی اصل فوٹو کاپی استعمال کر سکتے ہیں۔

پراکسی فارم

# فضل کلاتھ لمیٹڈ

58واں سالانہ عمومی اجلاس

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

ساکن -------------------------------------------------- بطور ممبر(ز) فضل کلاتھ ملز لمیٹڈ --------------------------------------------------

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

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

ساکن -------------------------------------------------------------------- کو اپنے/ہمارے ایما پر کمپنی کے مورخہ 28 اکتوبر 2023 بروز ہفتہ سہ پہر 3 بجے ہونے والے یا کسی بھی التوا کی صورت میں 58 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے وہی استعمال کرنے کیلئے اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں/ کرتے ہیں۔

بطور گواہ آج -------------- بتاریخ -------------------- 2023 ------------------------------ کی موجودگی میں دستخط ہوئے۔

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

| |
|---|
| پانچ روپے کے رسیدی ٹکٹ پر دستخط |

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

## اہم نکات:

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

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

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

۔ پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی رتصدیق شدہ نقول بھی دی جائیں۔

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

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

## CHAIRMAN'S REVIEW

On behalf of the Board, I am pleased to present the Annual Report and Audited Financial Statement of the Company for the year ended June 30, 2023 including role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

The Company follows the best practices relating to corporate governance and complies with the relevant requirements of Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to composition, meetings and procedures of the Board of Directors (the "Board") and its Committees. The Directors of your company are well aware with their responsibilities, under the applicable regulations, for governance of the company in an effective and efficient manner. Evaluation of the board of Directors is aimed to measure the Board overall performance and conduct of the company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory.

The Board is actively involved in formulation of appropriate policies and procedures and ensures due compliance with all the regulatory requirements. It closely monitors the performance of its committees and is committed to uphold and stable operation.

The Board has nine members, with diverse background having core competencies, knowledge, skills and experience relevant to the business of the Company that were elected at the Extra Ordinary General Meeting held on May 30, 2023, for the next term of three years, under the provisions of Section 159 of the Companies Act, 2017. The Board together with its committees was fully involved in the planning process and in developing the vision for the Company. The board of directors met six times during the year to review the overall performance, appraise financial results, and the overall effectiveness of the role played by the board in achieving the company's objectives. Meeting agendas and supporting papers were received in a timely manner for the Board meetings.

I am thankful to the members of the Board of Directors of the Company, shareholders, bankers, financial institutions, our valued customers and suppliers for their support and assistance. I also thank the executives and other employees of the Company for their dedication and hard work and look forward to getting the same cooperation in future.

The Board looks forward to the next year with increased confidence in meeting the challenges ahead.

Multan:
Dated: September 30, 2023

(Sh. Naseem Ahmed)
Chairman

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E-mail: info@fazalcloth.com, Website: www.fazalcloth.com
Registered Office: 69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, Ph: +92 042-36684909

FCML **FAZAL CLOTH MILLS LIMITED**

## DIRECTORS' REPORT

On behalf of the Board of Directors of the Company, we are pleased to present the Directors' Report together with the 58th Annual Report of the Company along with the Annual Audited Financial Statements of the Company for the year ended June 30, 2023.

### FINANCIAL RESULTS

A comparison of the key financial results of the Company for the year ended June 30, 2023, are as under:

| Rupees in thousand | Year ended June, 30 | | Favorable / (Unfavorable) % |
|---|---|---|---|
| | 2023 | 2022 | |
| Sales - net | **77,696,980** | 65,406,262 | 18.79% |
| Cost of sales | **67,610,876** | 54,238,314 | 24.66% |
| Gross Profit | **10,086,103** | 11,167,948 | (9.69%) |
| EBIDTA | **8,422,182** | 10,485,539 | (19.68%) |
| Depreciation | **1,753,002** | 1,664,133 | 5.34% |
| Finance Cost | **5,074,372** | 2,922,661 | (73.62%) |
| Profit before taxation | **1,594,808** | 5,898,745 | (72.96%) |
| Profit after taxation | **586,095** | 4,610,255 | (87.29%) |
| Earnings per share - Rs. | **19.54** | 153.68 | (87.29%) |

The sales revenue has increased during the year, the overall sales volume of both yarn and fabric has slightly improved in this period as compared to same period last year (SPLY) despite global economic slowdown.

The significant portion of the cost of goods manufactured consists of Raw material, which is 77.83%, and power cost is 9.85%, which has always been the concern for the management to control. The gross margins have declined mainly on account of increased raw material prices, power cost (on account of increase in gas tariff and electricity rates) and other conversion costs as compared to previous year.

### SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

The operations of your Company are primarily divided into two operating segments:

- Spinning segment: manufacturing and sale of yarn
- Weaving segment: manufacturing and sale of fabric

The segment wise results of the reportable segments of the Company are as follows:

| | Spinning | Weaving | Spinning | Weaving |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Rupees in thousand | | | |
| Revenue (net) | 63,953,534 | 13,743,446 | 53,666,283 | 11,739,978 |
| Profit before tax | 470,265 | 1,124,548 | 5,245,109 | 653,643 |

# FAZAL CLOTH MILLS LIMITED

During the current period, the Company was able to increase its overall sales value, the overall sales volume slightly increased with almost same sales mix. The net profit margins for the weaving division have seen a significant improvement as the Company was able to secure higher sales prices. However, the spinning division has experienced a decline in net profit due to the above-aforementioned reasons.

## EARNINGS PER SHARE

The Company earned a profit after tax of Rs. 586.095 million as compared to Rs. 4,610.255 million in same period of last year. This resulted in earnings per share of Rs. 19.54 in the current year as compared to Rs. 153.68 in same period of last year.

## DIVIDENDS

Keeping in view debt profile and future demand cycle, the directors have not recommended any dividend as Company has to focus on expanding the business while maintaining solvency, steady cash flows, lowering outstanding debt, financial expenses and maximizing shareholders' wealth. The directors hope to resume the dividend payout hopefully in future.

Accordingly, the appropriation of profit will be as under:"

| | Year ended June 30, 2023 | 2022 |
|---|---|---|
| | ---- (Rupees in '000) ---- | |
| The net profit after tax amounted to | 586,095 | 4,610,255 |
| Other comprehensive Loss - re-measurement of defined benefit liability | (23,710) | (30,165) |
| Total comprehensive income | 562,385 | 4,580,090 |
| Un-appropriated profit brought forward from last year | 20,368,453 | 15,243,772 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - net of tax | 509,299 | 573,189 |
| Transfer from surplus on revaluation of fixed assets on disposal - net of tax | 0 | 271,402 |
| | 21,440,137 | 20,668,453 |
| **APPROPRIATION:** | | |
| Cash Dividend 100 % (2021: 100%) | 300,000 | 300,000 |
| Leaving un-appropriated profit | 21,140,137 | 20,368,453 |
| | 21,440,137 | 20,668,453 |

## ECONOMY OVERVIEW

The economy of Pakistan is going through high inflationary and external sector pressures due to higher commodity prices both in the international & domestic market and exchange rate depreciation. However, the government is taking all possible measures to counter these pressures so that the growth momentum may remain intact.

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E-mail: info@fazalcloth.com, Website: www.fazalcloth.com
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Large Scale Manufacturing (LSM) witnessed a decline of 10.26 percent during FY2023 due to supply chain disruptions, inflationary pressures and resultant hike in input prices, and continued contractionary policy stance at the domestic level to correct the imbalances. Consumer Price Index (CPI) inflation increased to 28.3 percent on YoY basis in July 2023 as compared to 24.9 percent in July 2022 whereas it reached to 29.4 percent in the previous month. Monetary Policy Committee has maintained the policy rate at 22% percent, decision held on September14, 2023. The decision is based on latest inflation outturn reflecting the continuing declining trend in inflation from its peak of 38 percent in May to 27.4 percent in August 2023. Moreover, the expected ease in supply constraints and the recent administrative measures against speculative activity in the FX and commodity markets would also support the inflation outlook.

**FUTURE PROSPECTS**

The economic outlook will remain surrounded by global and domestic uncertainties. Geopolitical tensions remain unabated, worldwide inflation remains high, interest rates show tendencies to rise and the US dollar strengthens. Pakistan's external environment is therefore facing increasing challenges.

The international commodity price outlook is promising and is expected to offset the negative impact of local currency depreciation in Pakistan and help lower the pressure on imported commodities' prices. Domestically, the high base effect would provide a little support to inflation growth however, the massive fuel price hikes witnessed in the month of August & September 2023 and upward adjustment in energy tariffs, would strain the inflationary pressures in the coming months. However, the accumulated monetary tightening, fiscal consolidation efforts of the government and better growth outlook would help easing out inflationary pressures in later half of FY 2024. In view of above, inflation is anticipated to remain around 29 to 31 percent in September 2023. The recent rise in fuel prices drives a broad-based increase by impacting the transportation cost.

The recent Standby Agreement (SBA) with the IMF for USD 3 billion ensures that Pakistan's external financing needs will be met and will restore market confidence to some extent and leading to a revival of economic activities within the Country. This also opens room for further implementation of supply-side policies that should elevate Pakistan's potential growth rate to a higher sustainable level. The SBA together with the release of funding from other multilateral, bilateral sources and financial allies will not only reduce near-term uncertainty on meeting foreign obligations but will have a positive impact on the Country's reserves. Following the SBA with IMF, the rating agency Fitch has improved the credit rating from "CCC-" to "CCC", citing improved external liquidity and funding conditions.

A significant development for the Country's Textile Industry is the early cotton arrivals this year with better quality. According to Pakistan Cotton Ginners Association (PCGA), by September 15, 2023, seed cotton equal to 3.934 million bales had reached ginning factories across the Country against the ambitious production target for the current season at 12.7 million bales. If the weather conditions in the Country remain favorable and target production is achieved, it will not only help stabilize the cotton prices and support local textile industry to flourish but will help the Country to earn significant foreign exchange.

The Country's textile exports have experienced a significant decline, dropping from USD 19.33 billion in the previous FY to USD 16.50 billion in this year, marking a decrease of 14.6% mainly on account of discontinuation of the Regionally Competitive Energy Tariffs (RCET). It is crucial for any Country to manage the trade deficit effectively to achieve sustainable growth. In an effort to boost exports and foreign exchange reserves and to enable the exporters to compete internationally, the government has to prioritize export-oriented sectors, including the textile industry. This involves facilitating the import of raw materials, parts, and accessories and rationalizing power tariff. The current interest rate is too high for any business to sustain. However, recent developments indicate a positive trend and witnessed increase in overall exports.

The management expects the sales revenue to grow during the year ending June 30, 2024 and the liquidity position will further strengthen to run the operations of the Company in a sustainable manner. Going forward, we remain committed to improve our operations, to be more innovative, efficient and profitable to deliver sustainable returns to our shareholders.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors confirm compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the CCG Regulations) for the following matters:

1. The financial statements, prepared by the management of Fazal Cloth Mills Ltd., present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. The Company has maintained proper books of account.
4. International accounting standards, as applied in Pakistan, have been followed in preparation of these financial statements and departures there from have been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as on-going process with objective to strengthen the controls and bring improvements in the system.
6. There are no doubts about the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the CCG Regulations.
8. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2023, except for those disclosed in the financial statements.

## ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has established an effective and efficient system of internal and financial controls to safeguard the assets of the Company, prevent and detect fraud and ensure compliance with all statutory and legal requirements. The internal control structure is regularly reviewed and monitored by the Internal Audit function duly established by the Board. Audit Committee



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reviews the internal control system on quarterly basis in accordance with the term of its reference.

**COMPOSITION OF THE BOARD**

The board comprises of nine elected members. The composition of the Board is in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The composition as at the close of the financial year was as follows:

a) Female............................1
b) Male.............................. 8

**Composition**

Independent Directors.............. 3
Non-Executive Directors.............3
Executive Directors................. 3

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated annually along the following parameters, both individually and collectively:

1. Effectiveness in bringing in a mix of gender, talents, skills and diversified perspectives.
2. Integrity, credibility, trustworthiness and active participation of members.
3. Follow-up and review of annual targets set by the management.
4. Ability to provide guidance and direction to the Company.
5. Ability to identify aspects of the organization's performance requiring action.
6. Review of succession planning of management.
7. Ability to assess and understand the risk exposures of the Company.
8. Contribution and interest in regard to improving health safety and environment, employment and other policies and practices in the Company.
9. Safeguarding the Company against unnecessary litigation and reputational risk.

**AUDIT COMMITTEE**

The Audit Committee (AC) assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control, risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Audit Committee meetings by invitation to present the financial statements. After each meeting, the Chairperson of the Committee reports to the Board. The Committee met four (04) times during the year 2022-2023. The names of committee members are as follows:

| | | |
|---|---|---|
| i. | Ms. Parveen Akhtar Malik | Chairperson |
| ii. | Sheikh Naseem Ahmad | Member |
| iii. | Mr. Amir Naseem Sheikh | Member |
| iv. | Mr. Babar Ali | Member |

The Audit committee has reviewed the quarterly, half-yearly and annual financial statements, besides the internal audit plan, material audit findings and recommendation of internal audit department. In addition to above meetings, Audit Committee met with external auditors without Chief Financial Officer (CFO) and Head of Internal Audit (HIA). Audit Committee also


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met the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present.

### HR AND REMUNERATION COMMITTEE

The HR and Remuneration Committee (HR&RC) meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive directors. The CEO of the Company also attended the Human Resource and Remuneration Committee meeting held during the year. The Committee met one (01) time during the year 2022-2023. The names of committee members are as follows:

| | | |
|---|---|---|
| i. | Mr. Babar Ali | Chairman |
| ii. | Mr. Amir Naseem Sheikh | Member |
| iii. | Mr. Faisal Ahmad | Member |

### STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee (SPC) is an advisory committee to the Board of Directors that assists the Board in setting and maintaining the strategic direction of the Company by reviewing the Company's long-term strategic planning, significant changes in the operating environment, identifying new risks and opportunities and to provide opinions thereon. The Committee met one (01) time during the year 2022-2023.The names of committee members are as follows:

| | | |
|---|---|---|
| i. | Mr. Rehman Naseem | Chairman |
| ii. | Mr. Masood Karim Sheikh | Member |
| iii. | Ms. Parveen Akhtar Malik | Member |

### MEETINGS OF BOARD AND ITS COMMITTEES IN 2022-23

During the year 2022-2023 six board meetings, four audit committee meetings, one HR & Remuneration Committee meeting and one Strategic Planning Committee meeting were held. The attendance of the Directors are given here under:

| Sr. No. | Director | Status (BOD) | Committee Members | | | Attendance | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | AC | HR & RC | SPC | Board Meetings | AC | HR & RC | SPC |
| 1 | Mr. Sheikh Naseem Ahmad | Re-appointed on May 30, 2023 | ✓ | | | 6 / 6 | 4 / 4 | 1 / 1 | |
| 2 | Mr. Aamir Naseem Sheikh | Re-appointed on May 30, 2023 | ✓ | ✓ | | 6 / 6 | 4 / 4 | 1 / 1 | |
| 3 | Mr. Rehman Naseem | Re-appointed on May 30, 2023 | | | ✓ | 6 / 6 | | | 1 / 1 |
| 4 | Mr. Faisal Ahmed | Re-appointed on May 30, 2023 | | ✓ | | 6 / 6 | | 1 / 1 | |
| 5 | Mr. Muhammad Mukhtar Sheikh | Re-appointed on May 30, 2023 | | | | 6 / 6 | | | |
| 6 | Mr. Fahd Mukhtar | Re-appointed on May 30, 2023 | | | | 0 / 6 | | | |
| 7 | Mr. Babar Ali | Re-appointed on May 30, 2023 | ✓ | ✓ | | 6 / 6 | 4 / 4 | | |
| 8 | Mr. Masood Karim Shaikh | Re-appointed on May 30, 2023 | | | ✓ | 6 / 6 | - | | 1 / 1 |
| 9 | Ms. Parveen Akhter Malik | Re-appointed on May 30, 2023 | ✓ | | ✓ | 6 / 6 | 4 / 4 | | 1 / 1 |

Leave of absence was granted to the directors unable to attend the board meetings.

## PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Pursuant to the CCG Regulations, the Board recognizes that it continually needs to monitor and improve its performance. This is achieved through the annual performance evaluation and ongoing Board development activities. During the year, the Board has appraised the performance of Board as a whole as well as individual director and its committees. The overall conclusion of this year's review based on available feedback has been found satisfactory.

## DIRECTORS' REMUNERATION

The Company has an approved 'Remuneration Policy for Directors'; the salient features of which are:

- The Company will not pay any remuneration to its non-executive directors except as meeting fee for attending the Board and its Committee meetings. As per the policy, Independent Directors are paid an after-tax remuneration of PKR 62,500 for attending each meeting of the Board or its sub-committees.
- The remuneration of a Director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.
- A Director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by her / him for attending meetings of the Board and its Committees.
- Any Director who performs services which, in the opinion of the Board, are outside the scope of the statutory duties of a director, may be paid such extra remuneration.

## DETAIL OF DIRECTORS REMUNERATION

The Company has three Executive Directors, including Chief Executive of the Company. The aggregate amount of remuneration paid to executive and non-executive directors has been disclosed in note 44 of the annexed financial statements.

## PRINCIPAL RISKS & UNCERTAINTY

Businesses face numerous risks and uncertainties, which, if not properly addressed, might cause serious loss to the Company. The Board of Directors of the Company has carried out a vigilant and thorough assessment of both internal and external risks that the Company might face. Following are some of the risks which the Company is facing:

- Declining export sales due to geopolitical tensions (between US / China, Russia / Ukraine war) and decreased global demand due to global recessionary conditions.
- Increased competition at global as well as regional levels to be cost effective.
- Currency volatility, unexpected Rupee devaluation, resulting in an increased cost of imported raw-material.
- Implementation of Custom Duties / Regulatory Duties on import of Cotton / Man-made fibers making raw material more costly.



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- Rising trend of conversion, power cost on account of increasing fuel / gas prices, natural gas curtailment and other inflationary impacts.
- Increasing policy rates i.e., KIBOR resulting in increased financing costs.
- Uncertain taxation measures including the imposition of super tax. Further delay in processing sales tax and income tax refunds, increasing the liquidity crunch.
- Soaring inflation impacting the purchasing power of common man thereby reducing the demand for the Company's product.

### SUBSEQUENT EVENTS

There have been no material changes since June 30, 2023 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.

### COMMUNICATION

The Company places great importance on the communication with the shareholders. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The Company's activities are updated on its web site www.fazalcloth.com, on a timely basis.

### HEALTH, SAFETY AND 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 make conscious effort to consider and balance the interest of all stakeholders, in particular the community in which we live and who form our customer base.

### KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)

Key operating and financial data of last six years in enclosed.

### APPOINTMENT OF AUDITORS

The present External Auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants have completed the annual audit for the year ended June 30, 2023, and issued a clean audit report. The auditors will retire on the conclusion of the Annual General Meeting of the Company and, being eligible, have offered themselves for reappointment. As proposed by the Audit Committee, the Board recommends their re-appointment as auditors of the Company for the year ending June 30, 2024

### PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company as at June 30, 2023 is annexed to this report.

FAZAL CLOTH MILLS LIMITED

## THANKS AND APPRECIATION

We would like to place on record deep appreciation for the efforts of the executives, officers and other staff members and workers for their hard work, co-operation and sincerity to the Company in achieving the best possible results. The Board also wishes to place on record the appreciations to all banks, customers and suppliers for continued support to the Company with zeal and dedication. The Management is quite confident that these relations and co-operation will continue in the years to come.

On behalf of the Board of Directors

**Amir Naseem Sheikh**
(Director)

On behalf of the Board of Directors

**Babar Ali**
(Director)
On behalf of CEO

Multan: September 30, 2023

Chief Executive is for the time being not available in Pakistan so the Board has authorized Mr. Babar Ali - Director to sign the Directors' Report for the year ended June 30, 2023.

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

| | | |
|---|---|---|
| Name of Company | : | Fazal Cloth Mills Limited |
| Year Ended | : | June 30, 2023 |

The Company has complied with the requirements of the regulations in the following manner:

1. The total number of directors are nine (9) as per the following:

   a. Male: Eight
   b. Female: One

2. The composition of board as at June 30, 2023 is as follows:

| CATEGORY | NAMES |
|---|---|
| Independent Director | 1. Mr. Babar Ali<br>2. Mr. Masood Karim Shaikh<br>3. Ms. Parveen Akhtar Malik |
| Non-Executive Directors | 4. Mr. Sh. Naseem Ahmed<br>5. Mr. Faisal Ahmed<br>6. Mr. Aamir Naseem Sheikh |
| Executive Directors | 7. Mr. Rehman Naseem<br>8. Mr. Muhammad Mukhtar Sheikh<br>9. Mr. Fahd Mukhtar |

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 Companies Act, 2017 (the Act) and these regulations;

7. The meetings of the Board of Directors 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.

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

9. Detailed as below; Eight Directors have completed their Directors' Training Certification (DTC) and one director is exempt from this due to 14 years of education and 15 years of experience on the Board.

   Director exempt from DTC - Mr. Faisal Ahmed.

   Directors who have completed their DTC

   - Mr. Sheikh Naseem Ahmed.
   - Mr. Rehman Naseem.
   - Mr. Fahd Mukhtar.
   - Mr. Masood Karim Shaikh
   - Mr. Aamir Naseem Sheikh.
   - Mr. Muhammad Mukhtar Sheikh.
   - Mr. Babar Ali
   - Ms. Parveen Akhter Malik

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10. During the year, the Board has approved the appointment of Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There was no change in the position of Chief Financial Officer.

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

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

| Name of Committee | Name of Members and Chairman |
|---|---|
| Audit Committee | 1. Ms. Parveen Akhter Malik (Independent Director) - Chairman<br>2. Mr. Babar Ali (Independent Director)<br>3. Mr. Sh Naseem Ahmed - Member<br>4. Mr. Aamir Naseem Sheikh - Member |
| Human Resource and Remuneration Committee | 1. Mr. Babar Ali (Independent Director) - Chairman<br>2. Mr. Aamir Naseem Sheikh - Member<br>3. Mr. Faisal Ahmed - Member |
| Strategic Planning Committee | 1. Mr. Rehman Naseem (CEO) - Chairman<br>2. Mr. Masood Karim Sheikh (Independent Director) - Member<br>3. Ms. Parveen Akhter Malik (Independent Director) - Member |

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

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

    a) Board Audit Committee: four (4) meetings have been convened during the financial year ended June 30, 2023;

    b) Human Resource and Remuneration Committee: one (1) meeting has been convened during the financial year ended June 30, 2023;

    c) Strategic Planning Committee: one (1) meeting convened during the financial year ended June 30, 2023.

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan 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; and

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

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Multan: September 30, 2023

Amir Naseem Sheikh
(Director)

Babar Ali
(Director)
On behalf of CEO

Chief Executive is for the time being not available in Pakistan so the Board has authorized Mr. Babar Ali - Director to sign the Statement of Compliance for the year ended June 30, 2023.

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KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore 54000 Pakistan
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# INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Fazal Cloth Mills Limited**

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of Fazal Cloth Mills Limited ("the Company") for the year ended 30 June 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2023.

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**

**Lahore**

**Date: 05 October 2023**

**UDIN: CR20231018365NlWQm39**

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# INDEPENDENT AUDITOR'S REPORT

**To the members of Fazal Cloth Mills Limited**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the annexed financial statements of **Fazal Cloth Mills Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

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

KPMG Taseer Hadi & Co.

Following are the Key audit matters:

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 1 | **Revenue from contracts with customers- net**<br><br>Refer to notes 4.17 and 30 to the financial statements.<br><br>The Company recognized revenue of Rs. 77,696.98 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2023.<br><br>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to a risk that revenue may be recognized without transferring the control. | Our audit procedures to assess recognition of revenue, amongst others, included the following:<br><br>• obtaining an understanding of the process relating to recording of revenue and testing the design and implementation of key internal controls;<br><br>• assessing the appropriateness of the Company's accounting policies for recording of revenue and compliance of those policies with applicable accounting and reporting standards in Pakistan;<br><br>• comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents to assess whether the related revenue was recorded in accordance with the Company's accounting policy;<br><br>• comparing, on a sample basis, specific revenue transactions recorded just before and after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period;<br><br>• scanning for any manual journal entries relating to revenue recognized during the year which were considered to be material or met other specific risk based criteria with the underlying documentation; and<br><br>• assessing the adequacy of presentation and disclosures related to the revenue as required under the accounting and reporting standards as applicable in Pakistan. |
| 2 | **Valuation of Investment in Fatima Energy Limited**<br><br>Refer note 2.4.9, 4.11.2 and 19.2 to the financial statements.<br><br>The Company holds investment of Rs. 896.724 million in ordinary shares and investment of Rs. 2,767.240 in preference shares of Fatima Energy Limited (FEL). | Our audit procedures, amongst others, included the following:<br><br>• understanding and evaluating the process by which the cashflow forecasts were reviewed and approved, including confirming the mathematical accuracy of the underlying calculations;<br><br>• evaluating the cashflow forecasts by obtaining an understanding of business of FEL; |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | These investments have been classified and measured at fair value through OCI under IFRS 9.<br><br>Equity investment of FEL are not listed and do not have a quoted price in an active market. Therefore, fair value of these investments has been determined through valuation methodology based on discounted cashflow model.<br><br>This involves several estimation techniques and management's judgements to obtain reasonable and expected future cashflows of business and related discount rates. Management involved an expert to perform these valuations on the Company's behalf.<br><br>Due to the significant level of judgement and estimation required to determine the fair values of the investments, we consider it to be a key audit matter. | • evaluating the valuer's competence, capability and objectivity and assessing the appropriateness of methodology adopted by the professional valuer engaged by the management;<br><br>• involving our internal valuation specialist to assist us in assessing the significant assumptions and judgments applied by management in the cash flow forecasts, including discount rate, projected growth rates, future revenue and costs and production volumes, with reference to available market information; and<br><br>• assessing the adequacy of presentation and disclosures related to investment as required under the accounting and reporting standards as applicable in Pakistan. |
| 3 | **Revaluation of property, plant and equipment**<br><br>Refer notes 2.4.3, 4.2, 7 and 18 to the financial statements.<br><br>The Company follows the revaluation model for subsequent measurement of freehold land, buildings on freehold land and plant and machinery.<br><br>Latest revaluation was carried out on 30 June 2023. The valuation was performed by an external professional valuer engaged by the Company. The revaluation resulted in recognition of additional surplus of Rs. 7,701 million.<br><br>We identified revaluation of property, plant and equipment as a key audit matter because valuation involves a significant degree of judgement and estimation. | Our audit proceedings to assess the revaluation of property, plant and equipment, amongst others, included the following:<br><br>• obtaining and inspecting the valuation reports prepared by the external expert engaged by the Company and on which the management assessment of valuation of property, plant and equipment was based;<br><br>• Assessing the appropriateness of the methodology applied by the management for valuation of property, plant and equipment in accordance with applicable accounting and reporting standards in Pakistan;<br><br>• Involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Company;<br><br>• checking that the revaluation surplus has been recorded in the financial statements as per applicable accounting and reporting standards; and |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | | • assessing the adequacy of the disclosures made in financial statements in accordance with the requirements of the applicable accounting and reporting standards as applicable in Pakistan. |

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and our auditor's report thereon.

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

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

***Responsibilities of Management and Board of Directors for the Financial Statements***

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

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

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

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

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

***Report on Other Legal and Regulatory Requirements***

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

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

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance, subsequent to the year end.

The engagement partner on the audit resulting in this independent auditor's report is M. Rehan Chughtai.

KPMG Taseer Hadi.

**KPMG Taseer Hadi & Co.**
**Chartered Accountants**

**Lahore**

**Date: 05 October 2023**

**UDIN: AR202310183HsIBQ8ikl**

**Fazal Cloth Mills Limited**

Financial Statements for the year ended 30 June 2023

# Fazal Cloth Mills Limited
## Statement of Financial Position
As at 30 June 2023

| EQUITY AND LIABILITIES | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Share capital and reserves*** | | | |
| Authorized share capital | | 1,700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | 5 | 300,000,000 | 300,000,000 |
| *Capital reserves* | | | |
| - Others capital reserves | 6 | 1,075,745,157 | 2,710,352,637 |
| - Revaluation surplus on property, plant and equipment-net | 7 | 22,130,639,044 | 17,150,488,830 |
| Unappropriated profits - revenue reserve | | 21,140,136,577 | 20,368,453,281 |
| | | 44,646,520,778 | 40,529,294,748 |
| ***Non-current liabilities*** | | | |
| Long term financing - *secured* | 8 | 13,425,948,722 | 12,904,528,693 |
| Long term musharika - *secured* | 9 | 3,329,112,748 | 2,633,239,782 |
| Lease liability - *unsecured* | 10 | 73,111,588 | 73,951,536 |
| Deferred liabilities: | | | |
| *- Staff retirement benefit* | 11 | 445,220,674 | 342,254,877 |
| *- Deferred taxation* | 11 | 6,682,468,862 | 4,444,957,285 |
| | | 23,955,862,594 | 20,398,932,173 |
| ***Current liabilities*** | | | |
| Current portion of non-current liabilities | 12 | 3,239,132,851 | 3,094,869,352 |
| Short term borrowings - *secured* | 13 | 25,569,248,195 | 15,370,774,156 |
| Contract liabilities | 14 | 760,038,983 | 207,164,832 |
| Trade and other payables | 15 | 8,279,059,663 | 7,369,471,043 |
| Unclaimed dividend | | 22,551,264 | 21,213,835 |
| Accrued mark-up | 16 | 1,274,680,630 | 551,182,285 |
| Provision for taxation - net | | 26,837,826 | - |
| | | 39,171,549,412 | 26,614,675,503 |
| **Contingencies and commitments** | 17 | | |
| | | 107,773,932,784 | 87,542,902,424 |

| ASSETS | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Property, plant and equipment | 18 | 52,832,730,189 | 41,518,303,559 |
| Long term investments | 19 | 5,999,151,286 | 7,484,731,321 |
| Long term advance and mark up accrued | 20 | - | - |
| Long term deposits | | 25,540,293 | 25,540,293 |
| | | 58,857,421,768 | 49,028,575,173 |
| ***Current assets*** | | | |
| Stores, spares and loose tools | 21 | 1,429,900,637 | 807,324,380 |
| Stock-in-trade | 22 | 31,318,157,974 | 26,812,955,712 |
| Trade debts | 23 | 11,368,620,770 | 7,268,389,855 |
| Advances and other receivables | 24 | 218,351,459 | 400,285,716 |
| Deposits, prepayments and other receivables | 25 | 601,492,755 | 186,368,496 |
| Mark-up accrued | 26 | 1,198,384 | - |
| Short term investment | 27 | 182,437,200 | 231,336,000 |
| Sales tax refundable and adjustable | | 3,267,710,019 | 2,312,408,478 |
| Advance taxation - net | | - | 55,473,580 |
| Cash and bank balances | 28 | 528,641,818 | 386,199,525 |
| Non-current assets held for sale | 29 | - | 53,585,509 |
| | | 48,916,511,016 | 38,514,327,251 |
| | | 107,773,932,784 | 87,542,902,424 |

The annexed notes from 1 to 52 form an integral part of these financial statements.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

Lahore

Director

Director

Chief Financial Officer

Fazal Cloth Mills Limited

Statement of Profit or Loss

*For the year ended 30 June 2023*

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Revenue from contracts with customers - net | 30 | **77,696,979,894** | 65,406,261,578 |
| Cost of sales | 31 | **(67,610,876,404)** | (54,238,313,795) |
| **Gross profit** | | **10,086,103,490** | 11,167,947,783 |
| Selling and distribution expenses | 32 | **(497,083,655)** | (592,012,445) |
| Administrative expenses | 33 | **(615,746,677)** | (521,178,745) |
| Other expenses | 34 | **(2,677,915,683)** | (1,794,601,462) |
| | | **(3,790,746,015)** | (2,907,792,652) |
| Other income | 35 | **373,827,473** | 561,256,702 |
| **Profit from operations** | | **6,669,184,948** | 8,821,411,833 |
| Share of loss from associates | 36 | **(5,539)** | (6,066) |
| Finance cost | 37 | **(5,074,371,862)** | (2,922,660,654) |
| **Profit before taxation** | | **1,594,807,547** | 5,898,745,113 |
| Taxation | 38 | **(1,008,712,828)** | (1,288,490,371) |
| **Profit after taxation** | | **586,094,719** | 4,610,254,742 |
| **Earnings per share - *basic and diluted*** | 39 | **19.54** | 153.68 |

The annexed notes from 1 to 52 form an integral part of these financial statements.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

**Lahore** **Director** **Director** **Chief Financial Officer**

# Fazal Cloth Mills Limited
## Statement of Comprehensive Income
*For the year ended 30 June 2023*

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| **Profit after taxation** | **586,094,719** | 4,610,254,742 |
| ***Other comprehensive income / (loss) - net of tax*** | | |
| *Items that will never be reclassified to statement of profit or loss:* | | |
| - Revaluation surplus on property, plant and equipment | | |
| - *Gross amount* | **7,700,479,505** | - |
| - *Related deferred tax* | **(1,542,807,528)** | - |
| | **6,157,671,977** | - |
| - Re-measurement of defined benefit liability | **(23,709,988)** | (30,164,809) |
| - Net change in fair value of financial assets at FVOCI - net of tax | **(1,634,607,480)** | 1,566,333,422 |
| **Total comprehensive income for the year** | **5,085,449,228** | 6,146,423,355 |

The annexed notes from 1 to 52 form an integral part of these financial statements.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

**Lahore** **Director** **Director** **Chief Financial Officer**

Fazal Cloth Mills Limited
Statement of Changes in Equity
*For the year ended 30 June 2023*

| | | Capital reserves | | | | Revenue reserve | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve - net of tax | Revaluation surplus on property, plant and equipment - net of tax | Un-appropriated profits | Total |
| | Rupees | | | | | | |
| Balance as at 30 June 2021 | 300,000,000 | 77,616,000 | 175,000,000 | 891,403,215 | 18,009,492,456 | 15,243,771,588 | 34,697,283,259 |
| ***Total comprehensive (loss) / income for the year:*** | | | | | | | |
| Profit for the year ended 30 June 2022 | - | - | - | - | - | 4,610,254,742 | 4,610,254,742 |
| Other comprehensive (loss)/ income for the year | - | - | - | 1,566,333,422 | - | (30,164,809) | 1,536,168,613 |
| | - | - | - | 1,566,333,422 | - | 4,580,089,933 | 6,146,423,355 |
| Change in effective tax rate | - | - | - | - | (14,411,866) | - | (14,411,866) |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (573,188,983) | 573,188,983 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - *net of tax* | - | - | - | - | (271,402,777) | 271,402,777 | - |
| ***Transactions with the owners of the Company:*** | | | | | | | |
| Cash dividend @ Rs. 10 per ordinary share for the year ended 30 June 2021 | - | - | - | - | - | (300,000,000) | (300,000,000) |
| Balance as at 30 June 2022 - brought forward | 300,000,000 | 77,616,000 | 175,000,000 | 2,457,736,637 | 17,150,488,830 | 20,368,453,281 | 40,529,294,748 |

| | | Capital reserves | | | | Revenue reserve | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve - net of tax | Revaluation surplus on property, plant and equipment - net of tax | Un-appropriated profits | Total |
| | ------------------------------------------------ Rupees ------------------------------------------------ | | | | | | |
| **Balance as at 30 June 2022 - carried forward** | **300,000,000** | **77,616,000** | **175,000,000** | **2,457,736,637** | **17,150,488,830** | **20,368,453,281** | **40,529,294,748** |
| ***Total comprehensive income for the year:*** | | | | | | | |
| Profit for the year ended 30 June 2023 | - | - | - | - | - | 586,094,719 | 586,094,719 |
| Other comprehensive (loss)/ income for the year | - | - | - | (1,634,607,480) | 6,157,671,977 | (23,709,988) | 4,499,354,509 |
| | - | - | - | (1,634,607,480) | 6,157,671,977 | 562,384,731 | 5,085,449,228 |
| Change in effective tax rate | - | - | - | - | (668,223,198) | - | (668,223,198) |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (509,298,565) | 509,298,565 | - |
| ***Transactions with the owners of the Company:*** | | | | | | | |
| Final cash dividend @ Rs 10 per ordinary share for the year ended 30 June 2022 | - | - | - | - | - | (300,000,000) | (300,000,000) |
| **Balance as at 30 June 2023** | **300,000,000** | **77,616,000** | **175,000,000** | **823,129,157** | **22,130,639,044** | **21,140,136,577** | **44,646,520,778** |

The annexed notes from 1 to 52 form an integral part of these financial statements.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

Lahore

Director

Director

Chief Financial Officer

# Fazal Cloth Mills Limited

## Statement of Cash Flows

*For the year ended 30 June 2023*

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | 1,594,807,547 | 5,898,745,113 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | 18.1.1 | 1,753,002,218 | 1,664,133,109 |
| Unrealized loss / (gain) on re-measurement of short term investments | | 48,898,800 | (55,386,000) |
| (Reversal) / loss allowance against trade debts | | (19,608,957) | 47,354,525 |
| Loss on derecognition of advance into preference shares | | - | 274,735,729 |
| Net realizable value of stock in trade | | 24,168,748 | 112,452,580 |
| Provision for gratuity | 11.1.4 | 229,786,265 | 158,352,137 |
| Provision for infrastructure cess | | 561,804,634 | 374,444,515 |
| Provision for workers' profit participation fund | 34 | 81,895,338 | 318,406,192 |
| Provision for workers' welfare fund | 34 | 31,200,712 | 128,060,725 |
| (Gain) / loss on disposal of property, plant and equipment | | (257,981) | 41,059,318 |
| Gain on disposal of non-current asset held for sale | 35 | (8,540,162) | - |
| Notional interest expense on long term payable | | - | 57,587,839 |
| Dividend income | 35.1 | (241,899,109) | (241,899,109) |
| Share of loss from associates | 36 | 5,539 | 6,066 |
| Finance income on advance to associate undertaking | | - | (213,186,068) |
| Finance income on TFC | 35 | (8,063,410) | - |
| Loss allowance on long term mark up accrued | | - | 323,806,334 |
| Finance cost | 37 | 5,074,371,862 | 2,922,660,653 |
| **Cash generated from operations before working capital changes** | | 9,121,572,044 | 11,811,333,658 |
| ***Effect on cash flows due to working capital changes*** | | | |
| *(Increase) / decrease in current assets:* | | | |
| Stores, spares and loose tools | | (622,576,257) | 43,048,303 |
| Stock-in-trade | | (4,529,371,010) | (11,455,006,016) |
| Trade debts | | (4,080,621,958) | (2,578,194,768) |
| Advances and other receivable | | 141,934,257 | (174,313,055) |
| Deposits, prepayments and other receivables | | (415,124,259) | (65,943,598) |
| | | (9,505,759,227) | (14,230,409,134) |
| *Increase / (decrease) in current liabilities:* | | | |
| Trade and other payables | | 787,562,087 | 1,672,952,541 |
| **Cash generated from operations** | | 403,374,904 | (746,122,935) |
| Gratuity paid to employees | | (150,530,456) | (134,962,692) |
| Taxes paid - net | | (1,964,255,096) | (2,564,740,826) |
| Long term deposits | | - | (1,411,800) |
| | | (2,114,785,552) | (2,701,115,318) |
| **Net cash used in operating activities** | | (1,711,410,648) | (3,447,238,253) |
| ***Cash flows from investing activities*** | | | |
| Fixed capital expenditure | | (5,358,675,790) | (4,987,012,374) |
| Assets acquired through sale of arrangement | | - | (356,536,261) |
| Proceeds from non-current assets held for sale | | 53,562,500 | - |
| Proceeds from sale of property, plant and equipment | | 547,600 | 482,675,501 |
| Long term investments | | - | (155,127,195) |
| Long term loan and advances | | - | (219,274,090) |
| Finance income received | | 6,865,025 | - |
| Dividend received from associated company | | 241,899,109 | 241,899,109 |
| **Net cash used in investing activities** | | (5,055,801,556) | (4,993,375,310) |
| ***Cash flows from financing activities*** | | | |
| Long term financing obtained | | 2,988,820,348 | 4,574,380,960 |
| Long term financing repaid | | (2,289,233,624) | (3,048,679,042) |
| Long term musharika obtained | | 1,454,206,302 | 1,512,406,447 |
| Long term musharika repaid | | (793,227,986) | (763,539,316) |
| Short term borrowings - *net* | | 7,506,639,423 | 9,122,661,865 |
| Lease rentals paid | | (10,629,367) | (9,663,060) |
| Finance cost paid | | (4,340,092,644) | (2,659,883,059) |
| Dividend paid | | (298,662,571) | (297,732,736) |
| **Net cash generated from financing activities** | | 4,217,819,881 | 8,429,952,059 |
| **Net decrease in cash and cash equivalents** | | (2,549,392,323) | (10,661,504) |
| **Cash and cash equivalents at beginning of the year** | | (672,692,951) | (662,031,447) |
| **Cash and cash equivalents at end of the year** | | (3,222,085,274) | (672,692,951) |
| **Cash and cash equivalents at year end comprises of:** | | | |
| Cash and bank balances | | 528,641,818 | 386,199,525 |
| Running finance / running musharika | | (3,750,727,092) | (1,058,892,476) |
| | | (3,222,085,274) | (672,692,951) |

The annexed notes from 1 to 52 form an integral part of these financial statements.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

Lahore

Director

Director

Chief Financial Officer

## 1 Corporate and general information

**1.1** Fazal Cloth Mills Limited ("the Company") was incorporated in Pakistan in 1966 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange ('PSX'). The registered office of the Company is situated at 69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of yarn and fabric. The manufacturing facilities and warehouses are located at Fazal Nagar, Jhang Road, Muzaffargarh and Qadirpur Rawan Bypass, Khanewal Road, Multan in the province of Punjab.

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

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

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts (note 4.1), recognition of staff retirement benefits at present value (note 4.8) and revaluation of certain financial instruments at fair values (note 4.11). The methods used to measure fair values are discussed further in their respective policy notes.

### 2.3 Functional and presentation currency

These financial statements have been prepared in Pak Rupees ('Rs.') which is the Company's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

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

**2.4.1 Property, plant and equipment**

The Company reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available.

Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**2.4.2 Recoverable amount of assets/ cash generating units and impairment**

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

**2.4.3 Revaluation of property, plant and equipment**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. It may be necessary to revalue the item only every three to five years unless earlier required.

**2.4.4 Stores, spares, loose tools and stock-in-trade**

The Company reviews the stores, spares, loose tools and stock-in-trade for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock-in-trade with a corresponding effect on the provision.

**2.4.5 Expected credit loss (ECL)/ Loss allowance against trade debts, other receivables, loan, advances and deposits, mark up accrued and bank balances**

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

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Company reviews the recoverability of its trade debts, other receivables, loans advances and deposits, mark up accrued and bank balances to assess amount of loss allowance required on an annual basis.

**2.4.6 Provisions and Contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

**2.4.7 Employee benefits**

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits. The Projected Unit Credit method used for the valuation of the scheme is based on assumptions stated in note 11.1. Calculations are sensitive to chnage in underlying assumptions.

**2.4.8 Taxation**

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between 'Final Tax Regime' income and 'Normal Tax Regime' income and the change in proportions, if significant, is accounted for in the year of change.

### 2.4.9 Fair value of investments

The Company regularly reviews the fair value of investments including level 3 fair values. The estimate of fair values are based on both observable market data and unobservable inputs. Any change in estimate will effect the carrying value of investments with the corresponding impact on statement of profit or loss for investments carried at fair value through profit or loss and on other comprehensive income for investments carried at fair value through OCI.

## 3 Standards, amendments or interpretations to published approved accounting standards, that are not yet effective

### 3.1 Amendments or interpretations to published approved accounting standards, that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2023:

- Classification of liabilities as current or non-current and non-current liabilities with covenants - (Amendments to IAS 1) presentation of financial statements apply retrospectively for the annual periods beginning on or after 01 January 2024. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date.

  However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

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

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

  As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review

- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available

- International Tax Reform – Pillar Two Model Rules (amendments to IAS 12 ) introduce following new disclosure requirements:

  - Once tax law is enacted but before top-up tax is effective:

    disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a company discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.

  - After top-up tax is effective: disclose current tax expense related to top-up tax.

  The above amendments are effective from annual period beginning on or after 01 July 2023 and the management does not expect a significant effect of these amendments on their initial application dates.

## 4 Significant accounting policies

The significant accounting policies set out below have been consistently applied to all periods presented in these financial statements.

### 4.1 Property, plant and equipment

***Owned***

Freehold land is measured at revalued amount less impairment if any.

Factory building', 'non-factory building', 'plant and machinery', 'electric fitting and installations', 'tools', 'laboratory equipment, sui gas installations and arms' and 'fire extinguishing equipment and scales' are measured at revalued amount less accumulated depreciation and impairment if any.

Office equipment, furniture and fixture and vehicles are measured at cost less accumulated depreciation and impairment if any.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and other costs directly attributable to the acquisition or construction including expenditures on material, labour and overheads directly relating to construction, erection and installation of operating fixed assets.

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 18.1. Depreciation on additions is charged when available for use and is discontinued when the asset is disposed off.

An item of property, plant and equipment is de-recognized when permanently retired from use. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the statement of profit or loss.

Major renewals and improvements to an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in statement of profit or loss as incurred.

The asset's residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2023 has not required any adjustment as its impact is considered insignificant.

***Capital work-in-progress***

Capital work in progress is stated at cost less identified impairment loss, if any. Cost includes expenditures on material, labour, appropriate directly attributable overheads and includes borrowing cost in respect of qualifying assets if any, as stated in note 4.5. These costs are transferred to operating fixed assets as and when assets are available for their intended use.

**4.2 Revaluation surplus on property, plant and equipment**

Revaluation of items of property, plant and equipment measured at revalued amount is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase arising on the revaluation is recognized, by restating gross carrying amounts and accumulated depreciation of respective assets being revalued in proportion to the change in their carrying amounts due to revaluation, in other comprehensive income and presented as a separate component of equity as 'Revaluation surplus on property, plant and equipment', except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset.

The revaluation reserve is not available for distribution to the Company's shareholders. The revaluation surplus on item of property, plant and equipment measured at revalued amount, except land, is transferred to unappropriated profit to the extent of incremental depreciation charged (net of deferred tax). Upon disposal, any revaluation surplus is transferred to unappropriated profit (net of deferred tax).

### 4.3 Lease

At the inception of a contract, the Company assesses whether a contract is or contains lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct cost incurred less any lease incentive received. The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability, if any. The right of use assets is depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or cost of the right of use asset reflects that the Company will exercise a purchase option.

In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. Right of use asset is disclosed in the property, plant and equipment as referred to in note 18.1 of the financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used it incremental borrowing rate as the discount rate for leases where rate is not readily available. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero. Refer note 10 to these financial statements for disclosure of lease liability.

***<u>Short term leases and leases of low value assets</u>***

The Company has elected not to recognize right of use assets and liabilities for some leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

### 4.4 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any accumulated impairment losses. Finite life intangible assets are amortized using the straight-line method over the estimated useful life of three years. Amortization of intangible assets is commenced from the date an asset is capitalized.

### 4.5 Borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets to the extent the carrying amount of the assets does not exceed its recoverable value, until such time as the assets are substantially ready for their intended use or sale.

### 4.6 Taxation

Income tax expense comprises current tax and deferred tax. It is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in equity.

***Current***

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

***Deferred***

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. 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 realized. Further, the Company recognizes deferred tax asset/ liability on deficit/ surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/ surplus.

The Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in statement of profit or loss, any related tax effects are also recognized in statement of profit or loss. For transactions and other events recognized outside statement of profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognized outside profit and loss (either in other comprehensive income or directly in equity, respectively).

## 4.7 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in the statement of profit or loss.

## 4.8 Employee retirement benefits

The Company operates an un-funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plan are recognized in the statement of profit or loss. Past service costs are immediately recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

## 4.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

### 4.10 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### 4.11 Financial instruments

#### 4.11.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

#### 4.11.2 Classification and subsequent measurement

***Financial assets***

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

***Amortized cost***

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

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

These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, loan and advances, mark up accrued, trade debts and other receivables.

***Debt Instrument - FVOCI***

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss. However, the Company has no such instrument at the reporting date.

***Equity Instrument - FVOCI***

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

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to statement of profit or loss.

The Company's investments measured at FVOCI are included in note 19 of these financial statements.

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial asset measured at FVTPL comprises of investment in term finance certificate and short term investments in equity instrument as detailed in note 19 and 27 of these financial statements.

***Financial assets – Business model assessment:***

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

***Financial liabilities***

Financial liabilities are classified as measured at amortized cost or 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 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 statement of profit or loss or capitalized as stated in note 4.5. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities comprises of trade and other payables, long term and short term financing, dividend payable, accrued markup and lease liability.

**4.11.3 Derecognition**

***Financial assets***

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

***Financial liabilities***

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

### 4.11.4 Impairment

***Financial assets***

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Company measured its long term advances and related markup to associated companies under the general approach.

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

***Non-financial assets***

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

### 4.11.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 4.12 Acquisition of assets that do not constitute a business

When the Company acquires an asset or a Company (including any liabilities assumed) that does not constitute a business, then the transaction is outside the scope of IFRS 03 'Business Combinations' since it does not meet the definition of a business combination.

Such transactions are accounted for by the Company as asset acquisitions in which the cost of acquisition is generally allocated between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition. These transactions do not give rise to goodwill or a gain on a bargain purchase.

Assets acquired in an asset acquisition are recognized based on the cost of acquisition. The cost of an asset acquisition may comprise the following:

- cash or cash equivalent price at the date of acquisition;
- fair value of non-cash consideration (e.g. non-cash assets given up or liabilities assumed); and
- transaction costs directly attributable to the acquisition of the assets.

Under asset acquisition, for any identifiable asset or liability initially measured at an amount other than cost, the Company initially measures that asset or liability at the amount specified in the applicable IFRS Standard. The Company deducts from the transaction price, the amounts allocated to the assets and liabilities initially measured at an amount other than cost, and then allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

### 4.13 Investments in associates

Associates are the entities over which the Company has significant influence but not control. Significant influence is generally considered where shareholding percentage is between 20% to 50% of the voting shares. However, such significant influence can also arise where shareholding is lesser than 20% but due to other quantitative factors e.g. Company's representation on the Board of Directors of investee Company, the Company can exercise significant influence. Investments in associates are accounted for using the equity method of accounting in these financial statements and are initially recognized at cost. If the ownership interest is reduced but significant influence is retained, gain / loss on the partial disposal of ownership interest is recognized in the statement of profit or loss as the difference between the proceeds from the sale and the cost of investment sold. The cost of investment is disposed off on weighted average basis.

The Company's share of its associate's post-acquisition profits or losses, movement in other comprehensive income, and its share of post-acquisition movements in reserves is recognized in the statement of profit or loss, statement of comprehensive income and reserves respectively. When the Company's share of losses in associates / joint ventures equals or exceeds its interest in the associate including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an associate reduce the carrying amount of the investment.

The carrying amount of equity accounted investments is tested for impairment in accordance with policy described for non-financial asset in note 4.11.4.

### 4.14 Stores, spares and loose tools

These are stated at lower of cost and net realizable value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

### 4.15 Stock-in-trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

| | |
|---|---|
| - Raw materials | Weighted average cost |
| - Work-in-process and finished goods | Cost of direct materials, labour and appropriate manufacturing overheads. |

Materials in transit comprises of invoice value plus other charges paid thereon.

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

### 4.16 Trade Debts

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery

### 4.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of goods, net of returns, allowances, trade discounts, rebates and sales tax. Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised goods or services to a customer, and control either transfers over time or point in time.

### 4.18 Other income

Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Dividend income and entitlement of bonus shares are recognized when the right to receive is established.

Gains and losses on sale of investments are accounted for on disposal of investments.

### 4.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand and cash at banks. Short term running finance facilities availed by the Company are also recorded as part of cash and cash equivalents. Cash and cash equivalents are carried in statement of financial position at amortised cost.

### 4.20 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

### 4.21 Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The details related to operating segments are disclosed in note 47.

### 4.22 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

### 4.23 Dividend distribution

Dividend is recognized as a liability in the statement of financial position in the year in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

## 5 Issued, subscribed and paid-up capital

| | **2023** | 2022 | **2023** | 2022 |
|---|---|---|---|---|
| | **---- (Number of shares) ----** | | **------- (Rupees) -------** | |
| Ordinary shares of Rs. 10 each fully paid in cash | **1,000,000** | 1,000,000 | **10,000,000** | 10,000,000 |
| Ordinary shares of Rs. 10 each fully paid as right shares | **9,187,200** | 9,187,200 | **91,872,000** | 91,872,000 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **19,812,800** | 19,812,800 | **198,128,000** | 198,128,000 |
| | **30,000,000** | 30,000,000 | **300,000,000** | 300,000,000 |

5.1 As at the statement of financial position date, ordinary shares held by associated companies, undertakings and related parties are as follows:

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| | ------(Number of shares)--------- | | ---(Percentage of holding)--- | |
| Fazal Holdings (Private) Limited | **7,352,041** | **7,352,041** | **24.51** | **24.51** |
| Mr. Rehman Naseem | **3,101,320** | **3,101,320** | **10.34** | **10.34** |
| Mr. Fawad Ahmed Mukhtar | **2,415,422** | **2,415,422** | **8.05** | **8.05** |
| Mr. Fazal Ahmed Sheikh | **2,041,611** | **2,041,611** | **6.81** | **6.81** |
| Mr. Faisal Ahmed Mukhtar | **2,039,865** | **2,039,865** | **6.80** | **6.80** |
| Mr. Muhammad Yousaf Amir S/O Amir Naseem Sheikh | **1,421,643** | **1,421,643** | **4.74** | **4.74** |
| Mr. Abdullah Amir Fazal S/O Amir Naseem Sheikh | **1,414,139** | **1,414,139** | **4.71** | **4.71** |
| Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh | **1,012,970** | **1,012,970** | **3.38** | **3.38** |
| Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh | **1,012,969** | **1,012,969** | **3.38** | **3.38** |
| Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | **675,895** | **2.25** | **2.25** |
| Mr. Ibrahim Mukhtar S/O Faisal Ahmed Muhktar | **675,895** | **675,895** | **2.25** | **2.25** |
| Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar | **675,895** | **675,895** | **2.25** | **2.25** |
| Mr. Fahad Mukhtar | **579,715** | **579,715** | **1.93** | **1.93** |
| Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar | **536,207** | **536,207** | **1.79** | **1.79** |
| Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar | **536,206** | **536,206** | **1.79** | **1.79** |
| Fatima Trading Company (Private) Ltd | **392,283** | **392,283** | **1.31** | **1.31** |
| Farrukh Trading Company Limited | **392,282** | **392,282** | **1.31** | **1.31** |
| Fatima Management Company Limited | **392,282** | **392,282** | **1.31** | **1.31** |
| Mr. Amir Naseem Sheikh | **82,828** | **82,828** | **0.28** | **0.28** |
| Mr. Sheikh Naseem Ahmad | **8,820** | **8,820** | **0.03** | **0.03** |
| Mrs. Mahnaz Amir Sheikh | **4,447** | **4,447** | **0.01** | **0.01** |
| Mr. Babar Ali | **2,501** | **2,501** | **0.01** | **0.01** |
| Ms. Parveen Akhter Malik | **2,501** | **2,501** | **0.01** | **0.01** |
| Mr. Masood Karim Sheikh | **2,501** | **2,501** | **0.01** | **0.01** |
| Reliance Commodities (Private) Limited | **500** | **500** | **0.002** | **0.002** |
| Fatima Holding Limited | **5** | **5** | **0.00002** | **0.00002** |

## 6 Other capital reserves

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Share premium*** | | | |
| Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001 | | **63,360,000** | 63,360,000 |
| Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002 | | **14,256,000** | 14,256,000 |
| | *6.1* | **77,616,000** | 77,616,000 |
| Capital redemption reserve | *6.2* | **175,000,000** | 175,000,000 |
| Fair value reserve - net of tax | *6.3* | **823,129,157** | 2,457,736,637 |
| | | **1,075,745,157** | 2,710,352,637 |

6.1 This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

6.2 This represents capital redemption reserve created for the purpose of redemption of preference shares, and is not available for distribution to the shareholders.

6.3 This represents fair value adjustment on investments classified as fair value through OCI and is not available for distribution to the shareholders.

| 7 Revaluation surplus on property, plant and equipment | 2023 Rupees | 2022 Rupees |
|---|---|---|
| ***Gross surplus*** | | |
| Balance at 01 July | **19,599,350,175** | 20,581,773,648 |
| Revaluation surplus arise during the year - *net of deferred tax* | **6,157,671,977** | - |
| Related deferred tax liability | **1,542,807,528** | - |
| | **7,700,479,505** | - |
| Effect of disposal of operating fixed assets during the year - net of deferred tax | - | (271,402,777) |
| Related deferred tax liability | - | (7,893,846) |
| | - | (279,296,623) |
| Transferred to unappropriated profits in respect of incremental depreciation charge during the year - net of deferred tax | **(509,298,565)** | (573,188,983) |
| Related deferred tax liability | **(156,637,714)** | (129,937,867) |
| | **(665,936,279)** | (703,126,850) |
| Balance at 30 June | **26,633,893,401** | 19,599,350,175 |
| ***Deferred tax liability on revaluation surplus*** | | |
| Balance at 01 July | **2,448,861,345** | 2,572,281,192 |
| Related deferred tax liability on surplus on revaluation arisen during the year | **1,542,807,528** | - |
| - Effect of disposal of operating fixed assets during the year - net of deferred tax | - | (7,893,846) |
| - Transferred to unappropriated profits in respect of incremental depreciation charge during the year - net of deferred tax | **(156,637,714)** | (129,937,867) |
| | **1,386,169,814** | (137,831,713) |
| Change in effective tax rate | **668,223,198** | 14,411,866 |
| Balance at 30 June | **4,503,254,357** | 2,448,861,345 |
| Revaluation surplus on property, plant and equipment - net of tax | **22,130,639,044** | 17,150,488,830 |

7.1 Property, plant and equipment of the Company except office equipment, furniture and fittings and vehicles have been revalued on 30 June 2023 by Joseph Lobo (Private) Limited, an independent valuer not connected with the Company and approved by Pakistan Banks' Association 'any amount' category, resulting in recognition of additional surplus of Rs. 7,700 million. Previously, the revaluation of the Company was carried out on 30 June 2007, 31 March 2012, 31 March 2015, 28 February 2018 and 01 January 2021 by independent valuers resulting in additional surplus of Rs. 2,915 million, Rs. 2,028 million, Rs. 4,398 million Rs. 4,589 million and Rs. 10,558 million respectively.

***Freehold land***

Fair market value of freehold land is assessed through examining plot profile and purchase terms, independent inquiries from local active realtors, current and past occupants, of land, neighbouring areas, current asking prices for industrial used land in the vicinity, access roads and independent inquiries from other real estate sources to ascertain the selling prices for the properties of the same nature.

***Factory and non-factory building***

Construction specifications were noted for each building and structure and new construction rates are applied according to construction specifications for current replacement values. After determining current replacement values, residual factors are applied based on estimate of balance useful life to determine the current assessed market value.

***Plant and machinery and others fixed assets***

Plant and machinery and other fixed assets (electric fittings and installations, sui gas installations, tools, laboratory equipment and arms, fire extinguishing equipment and scales) have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indenters and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

## 8 Long term financing - *secured*

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Long term financing | | | |
| - banking companies | 8.1 | 12,990,756,781 | 13,525,336,725 |
| - other financial institutions | 8.2 | 2,965,000,003 | 1,730,833,335 |
| | | 15,955,756,784 | 15,256,170,060 |
| Accrued mark up | | | |
| - banking companies | 8.1 | 344,864,911 | 220,995,437 |
| - other financial institutions | 8.2 | 47,660,264 | 42,343,743 |
| | | 392,525,175 | 263,339,180 |
| Total long term financing including accrued mark up | | 16,348,281,959 | 15,519,509,240 |
| Less: | | | |
| Impact of deferred government grant | | - | (5,659,415) |
| Current portion of long term financing | 12 | (2,529,808,062) | (2,345,981,952) |
| Accrued mark up presented seperately in the financial statements | 16 | (392,525,175) | (263,339,180) |
| | | 13,425,948,722 | 12,904,528,693 |

### 8.1 Banking companies:

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees | --------- | | | |
| **Askari Bank Limited** | | | | | |
| - Term finance - TF | 133,333,335 | 200,000,001 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in four equal half yearly instalments ending on 21 February 2025. | 1st joint pari passu charge/ mortgage of Rs.1,965 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Term finance - TF | 374,999,999 | 458,333,333 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in nine equal half yearly instalments ending on 26 November 2027. | |
| - SBP's LTFF loan | 414,502,169 | 497,402,603 | SBP Rate + 1.00% (fixed rate) | Balance principal amount is payable in ten equal half yearly instalments ending on 22 June 2028. | |
| - Term finance - TF | 3,564,901 | 5,941,503 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in three equal half yearly instalments ending on 09 November 2024. | |
| - SBP's LTFF loan | 61,913,462 | 92,870,194 | SBP Rate + 1.00% (fixed rate) | Balance principal amount is payable in four equal half yearly instalments ending on 13 January 2025. | |
| Accrued markup on loan | 28,022,464 | 25,849,555 | | | |
| | 1,016,336,330 | 1,280,397,189 | | | |
| **Soneri Bank Limited** | | | | | |
| - Term finance - TF | 500,000,000 | 500,000,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in ten equal half yearly instalments beginning on 01 October 2023. | 1st joint pari passu charge/ mortgage of Rs.1,741 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - SBP's LTFF loan | 369,083,540 | 430,597,472 | SBP rate + 1.10% (fixed rate) | Balance principal amount is payable in twenty four equal quarterly instalments ending on 20 June 2029. | |
| Accrued markup on loan | 25,445,269 | 18,964,806 | | | |
| | 894,528,809 | 949,562,278 | | | |

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees --------- | | | | |
| **Habib Bank Limited** | | | | | |
| - SBP's LTFF loan | **240,990,175** | 294,543,549 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in nine equal half yearly instalments ending on 29 September 2027. | 1st joint pari passu charge/ mortgage of Rs.1,619 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| Accrued markup on loan | **1,502,062** | 1,835,854 | | | |
| | **242,492,237** | 296,379,403 | | | |
| **National Bank of Pakistan** | | | | | |
| - SBP's LTFF loan | **700,000,000** | 800,000,000 | SBP rate + 0.60% (fixed rate) | Balance principal amount is payable in twenty eight equal quarterly instalments ending on 08 April 2030. | 1st joint pari passu charge/ mortgage of Rs.4,813 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - SBP's LTFF loan | - | 14,489,618 | SBP rate + 1.25% (fixed rate) | Loan has been repaid during the year. | |
| - Demand finance - VII | - | 28,864,025 | 6 Months KIBOR + 1.25% | | |
| - Demand finance - XII | **1,000,000,000** | - | 6 Months KIBOR + 1.00% | Principal amount is payable in sixteen equal half yearly instalments beginning on 02 May 2025. | |
| - SBP's LTFF loan | **1,000,000,000** | 1,000,000,000 | SBP rate + 0.80% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 23 August 2023. | |
| - Demand finance - XI | **207,812,000** | 183,450,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in twelve equal half yearly instalments beginning on 24 August 2024. | |
| Accrued markup on loan | **61,246,247** | 18,646,576 | | | |
| | **2,969,058,247** | 2,045,450,219 | | | |
| **United Bank Limited** | | | | | |
| - SBP's LTFF loan | **461,751,711** | 519,470,668 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in eight equal half yearly instalments ending on 31 December 2026. | 1st joint pari passu charge/ mortgage of Rs.1,086 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Demand finance - III | **37,500,000** | 112,500,000 | 6 Months KIBOR + 1.10% | Last instalment is due on 30 November 2023. | |
| - Term loan | - | 908,604 | 6 Months KIBOR + 1.00% | Loan has been repaid during the year. | |
| - SBP's LTFF loan | - | 46,449,906 | SBP rate + 1.00% (fixed rate) | Loan has been repaid during the year. | |
| Accrued markup on loan | **3,498,049** | 5,602,177 | | | |
| | **502,749,760** | 684,931,355 | | | |
| **MCB Bank Limited** | | | | | |
| - Demand finance | - | 45,833,250 | 6 Months KIBOR + 1.25% | Loan has been repaid during the year. | 1st joint pari passu charge/ mortgage of Rs.448 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| Accrued markup on loan | **296,583** | 3,178,433 | | | |
| | **296,583** | 49,011,683 | | | |

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees --------- | | | | |
| **Allied Bank Limited** | | | | | |
| - Term loan - VI | - | 41,666,663 | 6 Months KIBOR + 0.90% | Loan has been repaid during the year. | |
| - Term loan - VII | **276,642,489** | 331,970,987 | 6 Months KIBOR + 0.65% | Balance principal amount is payable in ten equal half yearly instalments ending on 02 March 2028. | |
| - SBP's LTFF loan | **244,090,478** | 288,470,566 | SBP Rate+0.50% (fixed rate) | Balance principal amount is payable in eleven equal half yearly instalments ending on 02 September 2028. | 1st joint pari passu charge/ mortgage of Rs.2,706 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - SBP's LTFF loan | **517,495,761** | 603,745,043 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in twelve equal half yearly instalments ending on 04 January 2029. | |
| - SBP's LTFF loan | **386,364,196** | 448,631,058 | SBP rate + 0.75% (fixed rate) | Balance principal amount is payable in fourteen equal half yearly instalments ending on 27 March 2030. | |
| - SBP's REPP loan | **153,972,050** | 175,968,056 | SBP rate + 0.75% (fixed rate) | Balance principal amount is payable in fourteen equal half yearly instalments ending on 25 March 2030. | |
| - SBP's Salaries & Wages loan<br>Less: Deferred grant | - | 100,835,788<br>(4,942,234) | 1.50% fixed rate | Loan has been repaid during the year. | |
| - Term finance - I | - | 58,333,337 | 6 Months KIBOR + 1.05% | Loan has been repaid during the year. | |
| - Term finance - II | **50,000,000** | 75,000,000 | 6 Months KIBOR + 1.25% | Balance principal amount is payable in four equal half yearly instalments ending on 12 October 2024. | 1st joint pari passu charge/ mortgage of Rs.2,706 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - SBP's LTFF loan | **50,000,000** | 75,000,000 | SBP Rate + 1.25% (fixed rate) | | |
| - SBP's LTFF loan | **34,375,000** | 40,625,000 | SBP Rate + 1.00% (fixed rate) | Balance principal amount is payable in eleven equal half yearly instalments ending on 11 December 2028. | |
| - SBP's Salaries & Wages loan<br>Less: Deferred grant | - | 14,632,563<br>(717,181) | 1.50% fixed rate | Loan has been repaid during the year. | |
| Accrued markup on loan | **27,425,772** | 30,263,947 | | | |
| Deferred grant | - | 5,659,415 | | | |
| | **1,740,365,746** | 2,285,143,008 | | | |
| **The Bank of Khyber** | | | | | |
| - SBP's LTFF loan | **245,000,000** | 315,000,000 | SBP rate + 0.60% (fixed rate) | Balance principal amount is payable in seven equal half yearly instalments ending on 27 August 2026. | 1st joint pari passu charge/ mortgage of Rs.1,040 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - SBP's LTFF loan | **500,000,000** | 500,000,000 | SBP rate + 1.50% (fixed rate) | Principal amount is payable in ten equal half yearly instalments beginning on 19 January 2024. | |
| Accrued markup on loan | **6,184,944** | 6,638,698 | | | |
| | **751,184,944** | 821,638,698 | | | |

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees --------- | | | | |
| **The Bank of Punjab** | | | | | |
| - Term finance | - | 20,800,178 | 6 Months KIBOR + 0.85% | Loan has been repaid during the year. | 1st joint pari passu charge/ mortgage of Rs. 4,146 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - SBP's LTFF loan | **312,500,006** | 375,000,004 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in ten equal half yearly instalments ending on 05 December 2027. | |
| - Term finance | **350,000,000** | 450,000,000 | 6 Months KIBOR + 0.75% | Balance principal amount is payable in seven equal half yearly instalments ending on 25 October 2026 . | |
| - SBP's LTFF loan | **343,690,385** | 406,179,537 | SBP rate + 0.75% (fixed rate) | Balance principal amount is payable in eleven equal half yearly instalments ending on 12 October 2028. | |
| - SBP's LTFF loan | **398,057,410** | 459,297,004 | SBP rate + 1.50% (fixed rate) | Balance principal amount is payable in thirteen equal half yearly instalments ending on 27 December 2029. | |
| - Term finance | **866,690,240** | 625,990,534 | 6 Months KIBOR + 1.75% | Principal amount is payable in sixteen equal half yearly instalments beginning on 29 May 2024. | |
| - SBP's LTFF loan | **133,309,760** | 133,309,760 | SBP rate + 1.75% (fixed rate) | | |
| Accrued markup on loan | **66,971,674** | 42,519,543 | | | |
| | **2,471,219,475** | 2,513,096,560 | | | |
| **JS Bank Limited** | | | | | |
| - Term finance | **75,000,000** | 150,000,000 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in two equal half yearly instalments ending on 24 January 2024. | 1st joint pari passu charge/ mortgage of Rs. 550 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| Accrued markup on loan | **3,373,233** | 4,659,699 | | | |
| | **78,373,233** | 154,659,699 | | | |
| **Bank Al Habib Limited** | | | | | |
| - Term finance | **300,000,000** | 400,000,000 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in six equal half yearly instalments ending on 17 January 2026. | 1st joint pari passu charge/ mortgage of Rs.3,067 million on all present and future fixed assets of the Company. |
| - Term finance | **14,405,000** | - | 6 Months KIBOR + 2.00% | Principal amount is payable in sixteen equal half yearly instalments beginning on 16 December 2023. | |
| - SBP's LTFF loan | **235,595,000** | 235,595,000 | SBP rate + 2.00% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 16 December 2023. | |
| - Term finance | - | 267,274,000 | 6 Months KIBOR + 1.75% | Entire amount of loan has been transferred to SBP's REPP loan. | |
| - SBP's REPP loan | **357,778,000** | 16,093,000 | SBP rate + 1.75% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 14 December 2024. | |
| Accrued markup on loan | **20,816,071** | **15,136,757** | | | |
| | **928,594,071** | 934,098,757 | | | |

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees --------- | | | | |
| **Bank Alfalah Limited** | | | | | |
| - Term finance | **630,000,000** | 700,000,000 | 6 Months KIBOR + 1.50% | Balance principal amount is payable in nine equal half yearly instalments ending on 02 November 2027. | 1st joint pari passu charge/ mortgage of Rs.1,467 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **54,645,269** | 21,263,920 | 6 Months KIBOR + 1.50% | Balance principal amount is payable in thirty five equal quarterly instalments ending on 23 February 2032. | |
| - SBP's REPP loan | **255,694,445** | 263,000,001 | SBP rate + 1.50% (fixed rate) | | |
| Accrued markup on loan | **35,893,694** | 24,520,379 | | | |
| | **976,233,408** | 1,008,784,300 | | | |
| **Habib Metropolitan Bank Limited** | | | | | |
| - Term finance | **700,000,000** | 700,000,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in sixteen equal quarterly instalments beginning on 15 January 2024. | 1st joint pari passu charge/ mortgage of Rs.934 million on all present and future fixed assets of the Company. |
| Accrued markup on loan | **64,188,849** | 23,179,013 | | | |
| | **764,188,849** | 723,179,013 | | | |
| | **13,335,621,692** | 13,746,332,162 | | | |
| Long term financing at year end | **12,990,756,781** | 13,525,336,725 | | | |
| Accrued mark up | **344,864,911** | 220,995,437 | | | |

**8.2 Other financial institutions:**

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| **Pak Brunei Investment Company Limited** | | | | | |
| - Term finance | - | 62,500,000 | 3 Months KIBOR + 0.90% | Loan has been repaid during the year. | 1st joint pari passu charge/ mortgage of Rs.442 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **300,000,000** | - | 3 Months KIBOR + 2.00% | Principal amount is payable in twenty equal quarterly instalments beginning on 18 November 2024. | |
| Accrued markup on loan | **8,686,683** | 3,453,440 | | | |
| | **308,686,683** | 65,953,440 | | | |
| **Pak Oman Investment Company Limited** | | | | | |
| - Term finance | **87,500,000** | 157,500,000 | 3 Months KIBOR + 0.90% | Balance principal amount is payable in five equal quarterly instalments ending on 23 September 2024. | 1st joint pari passu charge/ mortgage of Rs.1,120 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **275,000,000** | 375,000,000 | 6 Months KIBOR + 0.90% | Balance principal amount is payable in eleven equal quarterly instalments ending on 24 January 2026. | |
| - Term finance | **312,500,003** | 395,833,335 | 3 Months KIBOR + 2.00% | Balance principal amount is payable in fifteen equal quarterly instalments ending on 09 March 2027. | |
| Accrued markup on loan | **16,744,181** | 10,279,041 | | | |
| | **691,744,184** | 938,612,376 | | | |

| Lender | 2023 | 2022 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | --------- Rupees --------- | | | | |
| **Saudi Pak Industrial & Agricultural Investment Co. Limited** | | | | | |
| - Term finance | **200,000,000** | 250,000,000 | 6 Months KIBOR + 2.25% | Balance principal amount is payable in eight equal half yearly instalments ending on 23 January 2027. | 1st joint pari passu charge/ mortgage of Rs.954 million on all present and future fixed assets of the Company. |
| - SBP's LTFF loan | **490,000,000** | 490,000,000 | SBP rate + 1.50% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 28 February 2024. | |
| Accrued markup on loan | **21,546,934** | 28,611,262 | | | |
| | **711,546,934** | 768,611,262 | | | |
| **PAIR Investment Company Limited** | | | | | |
| - Term finance | **300,000,000** | - | 3 Months KIBOR + 1.90% | Principal amount is payable in twenty quarterly instalments beginning on 03 January 2024. | 1st joint pari passu charge/ mortgage of Rs.400 million on all present and future fixed assets of the Company. |
| Accrued markup on loan | - | - | | | |
| | **300,000,000** | - | | | |
| **Pak Libya Holding Company (Private) Limited** | | | | | |
| - Term finance | **500,000,000** | - | 3 Months KIBOR + 2.10% | Principal amount is payable in twenty four equal quarterly instalments beginning on 02 April 2025. | 1st joint pari passu charge/ mortgage of Rs.667 million on all present and future fixed assets of the Company. |
| Accrued markup on loan | - | - | | | |
| | **500,000,000** | - | | | |
| **Pakistan Kuwait Investment Company (Private) Limited** | | | | | |
| - Term finance | **500,000,000** | - | 3 Months KIBOR + 2.00% | Principal amount is payable in thirty two equal quarterly instalments beginning on 29 March 2025. | 1st joint pari passu charge/ mortgage of Rs.667 million on all present and future fixed assets of the Company. |
| Accrued markup on loan | **682,466** | - | | | |
| | **500,682,466** | - | | | |
| | **3,012,660,267** | 1,773,177,078 | | | |
| Long term financing at year end | **2,965,000,003** | 1,730,833,335 | | | |
| Accrued mark up | **47,660,264** | 42,343,743 | | | |

8.3 The above financing facilities have been obtained to meet capital expenditure including balancing, moderanization and replacement of manufacturing facilities, balance sheet reprofiling and long term working capital requirements of the Company.

## 9 Long term musharika - *secured*

***Islamic mode of financing***

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Long term musharika - banking companies | 9.1 | **4,037,446,083** | 3,376,467,767 |
| Accrued mark up | 9.1 | **136,887,313** | 127,081,924 |
| Total long term financing including accrued mark up | | **4,174,333,396** | 3,503,549,691 |
| Less: | | | |
| Current portion of long term musharika | 12 | **(708,333,335)** | (743,227,985) |
| Accrued mark up presented seperately in the financial statements | 16 | **(136,887,313)** | (127,081,924) |
| | | **3,329,112,748** | 2,633,239,782 |

### 9.1 Banking companies:

| Lender | 2023 | 2022 | Rate of profit per Annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | |
| **Meezan Bank Limited** | | | | | |
| - Diminishing musharika | **187,500,000** | 312,500,000 | 6 Months KIBOR + 1.25% | Balance principal amount is payable in three equal half yearly instalments ending on 28 November 2024. | 1st joint pari passu charge/ mortgage of Rs.3,110 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Diminishing musharika | - | 1,561,319 | 6 Months KIBOR + 1.00% | Loan has been repaid during the year. | |
| - Diminishing musharika | **1,000,000,000** | 1,000,000,000 | 6 Months KIBOR + 1.25% | Principal amount is payable in twelve equal half yearly instalments beginning on 22 October 2024. | |
| - Diminishing musharika | **800,000,000** | - | 6 Months KIBOR + 1.25% | Principal amount is payable in eight equal half yearly instalments beginning on 29 May 2024. | |
| Accrued mark up on loans | **65,746,554** | 33,494,533 | | | |
| | **2,053,246,554** | 1,347,555,852 | | | |
| **Dubai Islamic Bank Pakistan Limited** | | | | | |
| - Diminishing musharika | - | 50,000,000 | 6 Months KIBOR + 1.00% | Loan has been repaid during the year. | 1st joint pari passu charge/ mortgage of Rs.1,600 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Diminishing musharika | **225,000,000** | 375,000,001 | 6 Months KIBOR + 2.00% | Balance principal amount is payable in three equal half yearly instalments ending on 01 October 2024. | |
| - Diminishing musharika | **325,000,000** | 425,000,000 | 3 Months KIBOR + 1.50% | Balance principal amount is payable in thirteen equal quarterly instalments ending on 06 September 2026. | |
| - Diminishing musharika | **450,000,000** | 500,000,000 | 3 Months KIBOR + 1.50% | Principal amount is payable in eighteen equal quarterly instalments ending on 27 December 2027. | |
| Accrued mark up on loans | **21,352,925** | 51,316,247 | | | |
| | **1,021,352,925** | 1,401,316,248 | | | |

| Lender | 2023 | 2022 | Rate of profit per Annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | |
| **Faysal Bank Limited** | | | | | |
| - Diminishing musharika | **83,333,335** | 250,000,001 | 3 Months KIBOR + 0.75% | Last instalment of principal amount will be paid as on 06 December 2023. | 1st joint pari passu charge/ mortgage of Rs.1,599 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Diminishing musharika | **666,612,748** | 12,406,446 | 3 Months KIBOR + 0.75% | Principal amount is payable in sixteen equal half yearly instalments beginning on 30 December 2024. | |
| Accrued mark up on loans | **49,787,834** | 14,965,586 | | | |
| | **799,733,917** | 277,372,033 | | | |
| **National Bank of Pakistan** | | | | | |
| - Diminishing musharika | **300,000,000** | 450,000,000 | 6 Months KIBOR + 0.85% | Balance principal amount is payable in six equal half yearly instalments ending on 02 July 2026. | 1st joint pari passu charge/ mortgage of Rs.4,813 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| Accrued profit on loan | **-** | 27,305,558 | | | |
| | **300,000,000** | 477,305,558 | | | |
| | **4,174,333,396** | 3,503,549,691 | | | |
| Long term financing at year end | **4,037,446,083** | 3,376,467,767 | | | |
| Accrued mark up | **136,887,313** | 127,081,924 | | | |

9.2 The above financing facilities have been obtained to meet capital expenditure including balancing, moderanization and replacement of manufacturing facilities, balance sheet reprofiling and long term working capital requirements of the Company.

| 10 **Lease liability - *unsecured*** | Note | **2023** | 2022 |
|---|---|---|---|
| Lease liability against right of use asset | | **74,103,042** | 73,951,536 |
| Current portion of lease liability | *12* | **(991,454)** | - |
| | *10.1* | **73,111,588** | 73,951,536 |

| | **2023** | | |
|---|---|---|---|
| | **Minimum lease payments** | **Finance charge** | **Present value of minimum lease payments** |
| | **(Rupees)** | | |
| Not later than one year | **11,692,304** | **10,700,850** | **991,454** |
| Later than one year and not later than five years | **59,690,374** | **37,346,723** | **22,343,651** |
| Above five years | **62,329,186** | **11,561,249** | **50,767,937** |
| | **133,711,864** | **59,608,822** | **74,103,042** |

| | 2022 | | |
|---|---|---|---|
| | Minimum lease payments | Finance charge | Present value of minimum lease payments |
| | (Rupees) | | |
| Lease liability - *unsecured* | | | |
| Not later than one year | 10,629,366 | 10,780,872 | (151,506) |
| Later than one year and not later than five years | 54,263,976 | 40,137,446 | 14,126,531 |
| Above five years | 79,447,888 | 19,471,376 | 59,976,511 |
| | 144,341,230 | 70,389,694 | 73,951,536 |

**10.1** The Company has recognized right of use on account of head office land obtained by the Company on lease. The remaining tenure of contract is 8 years and the rent is payable quarterly. Lease liability is calculated at discount rate of 15.11% per annum.

| 11 **Deferred liabilities** | Note | **2023 Rupees** | 2022 Rupees |
|---|---|---|---|
| Staff retirement benefit - Gratuity | *11.1* | **445,220,674** | 342,254,877 |
| Deferred taxation | *11.2* | **6,682,468,862** | 4,444,957,285 |
| | | **7,127,689,536** | 4,787,212,162 |

**11.1 Staff retirement benefit - Gratuity**

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2023 using 'Projectec Unit Credit' method. Details of obligation for defined benefit plan is as follows:

**11.1.1 The amounts recognized in the 'Statement of financial position' is as follows:**

| | Note | **2023 Rupees** | 2022 Rupees |
|---|---|---|---|
| Present value of defined benefit obligation liability at 30 June | *11.1.2* | **445,220,674** | 342,254,877 |

### 11.1.2 Movement in the liability for defined benefit obligation recognized in the 'Statement of financial position' is as follows:

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Liability for defined benefit obligation at 01 July | | **342,254,877** | 288,700,623 |
| Current service cost | *11.1.3* | **194,410,137** | 136,230,209 |
| Interest cost on defined benefit obligation | *11.1.3* | **35,376,128** | 22,121,928 |
| Actuarial loss charged to 'Other Comprehensive Income' | *11.1.5* | **23,709,988** | 30,164,809 |
| Benefits paid during the year | | **(150,530,456)** | (134,962,692) |
| Liability for defined benefit obligation at 30 June | | **445,220,674** | 342,254,877 |

### 11.1.3 The amounts recognized in the 'Statement of profit or loss' against defined benefit plan are as follows:

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Current service cost | **194,410,137** | 136,230,209 |
| Interest cost | **35,376,128** | 22,121,928 |
| | **229,786,265** | 158,352,137 |

### 11.1.4 Charge to 'Statement of profit or loss' against defined benefit plan has been allocated as under

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Cost of sales | **216,285,915** | 150,188,172 |
| Selling and distribution expense | **2,296,784** | 973,331 |
| Administrative expense | **11,203,566** | 7,190,634 |
| | **229,786,265** | 158,352,137 |

### 11.1.5 Remeasurement loss recognized in the 'Other comprehensive income' against defined benefit plan are as follows:

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| *Remeasurement loss / (gain) on defined benefit obligation due to:* | | |
| - changes in financial assumptions | **465,478** | **(22,451,452)** |
| - change in experience adjustment | **23,244,510** | **52,616,261** |
| | **23,709,988** | **30,164,809** |

### 11.1.6 Actuarial assumptions used for valuation of liability at 30 June against defined benefit obligation are as under:

The following are the principal actuarial assumptions at statement of financial position date:

| | 2023 | 2022 |
|---|---|---|
| Discount rate used for interest cost | **13.25% per anum** | 10.00% per anum |
| Discount rate used for year end obligation | **16.25% per anum** | 13.25% per anum |
| Expected rate of growth per annum in future salaries | **14.25% per anum** | 11.25% per anum |
| Mortality rates | **SLIC (2001 - 05) Setback 1 Year** | SLIC (2001 - 05) Setback 1 Year |
| Retirement assumption | **Age 60** | Age 60 |

**11.1.7 Sensitivity analysis of defined benefit obligation to changes in the actuarial assumptions**

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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Impact on defined benefit obligation | | | Impact on defined benefit obligation | | |
| | Change in assumption | Increase in assumption | Decrease in assumption | Change in assumption | Increase in assumption | Decrease in assumption |
| | Percentage | Rupees | | Percentage | Rupees | |
| Discount rate | 1.00% | 415,270,462 | 477,341,515 | 1.00% | 322,423,537 | 363,314,019 |
| Salary growth rate | 1.00% | 477,330,960 | 415,265,361 | 1.00% | 363,305,986 | 322,419,576 |

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

**11.1.8** The Company expects to charge Rs. 232.98 million against current service cost and Rs. 72.35 million against net interest cost, aggregating to Rs. 305.33 million, to 'Statement of Profit or Loss' in respect of defined benefit plan in 2024.

11.1.9 The Company exposure to the actuarial risks are as follows:

a) **Salary risks**

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

b) **Demographic risks**

***Mortality Risk***

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

***Withdrawal Risk***

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

11.1.10 Gratuity scheme entitles members of staff retirement benefit plan on resignation, retirement, early retirement, retrenchment, death and dismissal based, on the Company's service rules, for staff gratuity. Gratuity is based on the last month basic salary for each year of service.

## 11.2 Deferred taxation

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 01 July | Change in effective tax rate | | (Reversal from)/ charge to | | Balanace at 30 June |
| | | Equity | 'Statement of profit or loss' | 'Statement of profit or loss' | 'Statement of comprehensive income' | |
| | Rupees | | | | | |
| ***Taxable temporary differences arising in respect of :*** | | | | | | |
| Revaluation surplus on property, plant and equipment | 2,448,861,345 | 668,223,198 | - | (156,637,714) | 1,542,807,528 | 4,503,254,357 |
| Long term investment | - | - | - | - | 109,032,986 | 109,032,986 |
| Accelerated tax depreciation | 2,073,313,074 | - | 565,746,966 | 144,802,738 | - | 2,783,862,778 |
| | 4,522,174,419 | 668,223,198 | 565,746,966 | (11,834,976) | 1,651,840,514 | 7,396,150,121 |
| ***Deductible temporary difference arising in respect of :*** | | | | | | |
| Minimum tax - *note 11.2.1* | - | - | - | (612,431,572) | - | (612,431,572) |
| Provisions and others | (77,217,134) | - | (21,787,339) | (2,245,214) | - | (101,249,687) |
| Deferred tax liability | 4,444,957,285 | 668,223,198 | 543,959,627 | (626,511,762) | 1,651,840,514 | 6,682,468,862 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 01 July | Change in effective tax rate | | (Reversal from) / charge to | | Balanace at 30 June |
| | | Equity | 'Statement of profit or loss' | 'Statement of profit or loss' | 'Statement of comprehensive income' | |
| | ------------------------------- Rupees ------------------------------- | | | | | |
| ***Taxable temporary differences arising in respect of :*** | | | | | | |
| Revaluation surplus on property, plant and equipment | 2,572,281,192 | 14,411,866 | - | (137,831,713) | - | 2,448,861,345 |
| Accelerated tax depreciation | 1,855,655,510 | - | 10,412,714 | 207,244,850 | - | 2,073,313,074 |
| | 4,427,936,702 | 14,411,866 | 10,412,714 | 69,413,137 | - | 4,522,174,419 |
| ***Deductible temporary difference in respect of :*** | | | | | | |
| Provisions and others | (71,144,539) | - | (405,486) | (5,667,109) | - | (77,217,134) |
| Deferred tax liability | 4,356,792,163 | 14,411,866 | 10,007,228 | 63,746,028 | - | 4,444,957,285 |

**11.2.1** This represents deferred tax asset recognized on minimum tax available for carryforward under section 113 of the Income Tax Ordinance, 2001 for adjustment against future taxable income of the Company and is available for adjustment till tax year 30 June 2026.

| 12 | Current portion of non-current liabilities | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| | *Markup bearing finances from conventional banks:* | | | |
| | Long term financing - *secured* | *8* | 2,529,808,062 | 2,345,981,952 |
| | *Islamic mode of financing :* | | | |
| | Long term musharika - *secured* | *9* | 708,333,335 | 743,227,985 |
| | Deferred grant | *8* | - | 5,659,415 |
| | Current portion of lease liability | *10* | 991,454 | - |
| | | | 3,239,132,851 | 3,094,869,352 |

| 13 | Short term borrowings - *secured* | Limits (in million) | Nominal interest rate % | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|---|
| | **Banking Companies** | | | | |
| | ***Mark-up based borrowings from conventional banks*** | | | | |
| | Cash finance | 8,575 | 14.91 - 22.70 | 4,694,876,038 | 300,000,001 |
| | Running finance | 10,425 | 14.36 - 22.85 | 2,302,187,607 | 318,229,356 |
| | Foreign currency export finance | 3,280 | 1.75 - 13.00 | 752,424,702 | 2,466,000,000 |
| | Finance against imported merchandise | 6,545 | 3.25 - 23.57 | 6,109,446,309 | 1,187,454,696 |
| | Finance against trust receipt | 7,520 | 4.00 - 22.49 | 3,361,568,034 | 1,115,525,401 |
| | Money market loan | Sub- Limit | 14.36 - 22.87 | 5,040,999,998 | 7,899,999,998 |
| | Accrued mark up | | | 635,897,937 | 129,498,780 |
| | | | | 22,897,400,625 | 13,416,708,232 |
| | ***Islamic mode of financing*** | | | | |
| | Running musharika | 2,400 | 14.55 - 22.33 | 1,448,539,485 | 740,663,120 |
| | Karobar finance/ Import murabaha/ Musawammah | 3,850 | 14.73 - 22.57 | 1,859,206,022 | 1,342,901,584 |
| | Accrued mark up | | | 109,370,205 | 31,262,401 |
| | | | | 3,417,115,712 | 2,114,827,105 |
| | Total short term borrowings | | | 26,314,516,337 | 15,531,535,337 |
| | Less: accrued mark up/profit | | | (745,268,142) | (160,761,181) |
| | | | | 25,569,248,195 | 15,370,774,156 |

**13.1** The Company has limits for funded short term borrowing facilities of aggregate amount of Rs 46,496 million and facilities for opening of letters of credit of aggregate amount of Rs 1,350 million having aggregate sanctioned limit of Rs.47,846 million (2022: Rs.43,075 million). Further, the company has aggregate limit of bank guarantees of Rs. 4,423 million (2022: Rs 4,212 million). These facilities are secured against different securites including pledge of stocks, hypothecation of stocks, stores and spares, hypothecation charge on all other current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stocks amounting to Rs.10,625 million and 69 million shares of Fatima Fertilizer Company Limited. Short term borrowing funded facilities of aggregate amount of Rs. 14,634 million and non-funded letters of credit facilities of aggregate amount of Rs. 821 million having an aggregate of Rs. 15,455 million (2022: Rs.24,593 million) remained unutilized at year end. Further, the bank guarantee facilities of aggregate amount of Rs. 1,840 million (2022: Rs. 2,438 million) remained unutilized at year end. These facilities are expiring on various dates by 31 March 2024.

| 14 | Contract liabilities | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| | Contract liabilities | *14.1* | 760,038,983 | 207,164,832 |

**14.1** The amount of Rs 195.39 million included in contract liabilities as at 30 June 2022 has been recognized as revenue in the year ended 30 June 2023. (2022: Rs 145.89 million).

| 15 | Trade and other payables | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| | Trade creditors | | 929,765,542 | 746,347,677 |
| | Accrued liabilities | *15.1* | 1,664,430,988 | 2,342,640,939 |
| | Due to associated undertakings | *15.2* | 45,845,843 | 177,908,772 |
| | Bills payable | | 3,583,591,783 | 2,474,988,642 |
| | Tax deducted at source | | 11,496,578 | 6,955,196 |
| | Infrastructure cess | *15.3* | 1,621,557,511 | 1,059,752,877 |
| | Workers' profit participation fund | *15.4* | 81,895,334 | 318,406,192 |
| | Workers' welfare fund | *15.5* | 155,865,153 | 190,592,828 |
| | Loan from Director | *15.6* | 299,693 | 299,693 |
| | Foreign exchange forward contract - mark to market | | - | 8,895,000 |
| | Others | | 184,311,238 | 42,683,227 |
| | | | 8,279,059,663 | 7,369,471,043 |

15.1 The Honourable Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 decided the appeal against the Company and declared the GIDC Act, 2015 to be constitutional and recoverable from the gas consumer. A review petition was filed against the judgment which was also dismissed. SCP in its detailed judgment stated that the cess under GIDC Act, 2015 is applicable only to those consumers of natural gas who have passed on GIDC burden to their end customers for their business activities.

The Company has filed a civil suit before the Honourable Lahore High Court (LHC) on the grounds that the Company has not passed on the impact of GIDC to end consumers. SHC has granted stay order and has restrained SNGPL from taking any coercive action against the Company. The case is pending for adjudication. The Company has recognized the liability of GIDC under the GIDC Act, 2015 in these financial statements.

| 15.2 Due to associated undertakings | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Hussain Ginneries Limited | | **13,250,970** | 13,250,970 |
| Fatima Energy Limited | | **32,409,271** | 159,839,648 |
| Fatima Fertilizer Company Limited | | **5,602** | 4,818,154 |
| Fazal-ur-Rehman Foundation | | **180,000** | - |
| | *15.2.1* | **45,845,843** | 177,908,772 |

15.2.1 These are unsecured and in the normal course of business for goods and services.

15.3 This represent provision against 'Sindh Infrastructure Cess', levied under Section 9 of 'Sindh Finance Act, 1994' and its subsequent versions including the final version i.e. Sindh Development and Maintenance of Infrastructure Cess Act, 2017 at the rate specified of total value of goods as assessed by the 'Custom Authorities' while considering net weight and distance for carriage of goods through the province of 'Sindh'. The Company filed an appeal before the 'Honourable Sindh High Court' against levy which passed order dated 04 June 2021 against the Company and directed that bank guarantees should be encashed. Being aggrieved by the order, the Company along with others has filed petitions for leave to appeal before Honourable Supreme Court of Pakistan against the Sindh High Court's judgment in relation to Sindh infrastructure development cess. The Supreme court in its order dated 01 September 2021 granted interim relief to the Company against the order of Honourable Sindh High Court subject to provision of bank guarantees equivalent of Cess amount. However, the probable amount has been fully recognised in the financial statements.

| 15.4 Workers' profit participation fund | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **318,406,192** | 296,382,205 |
| Provision for the year | *34* | **81,895,338** | 318,406,192 |
| Interest on funds utilized by the company | | **87,016,487** | 119,364,888 |
| | | **487,318,017** | 734,153,285 |
| Payment made during the year | | **(405,026,569)** | (414,908,607) |
| Deposited in 'Government Treasury' | | **(396,114)** | (838,486) |
| Balance as at 30 June | | **81,895,334** | 318,406,192 |

| 15.5 Workers' welfare fund | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Balance as at 01 July | | **190,592,828** | 62,532,103 |
| Adjustment during the year | | **(65,928,387)** | - |
| Allocation for the year | *34* | **31,200,712** | 128,060,725 |
| Balance as at 30 June | | **155,865,153** | 190,592,828 |

15.6 This represents interest free loan from a director of the company. The loan is unsecured and repayable on demand.

## 16 Accrued mark-up

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| ***Mark-up based loans from conventional bank:*** | | |
| Long term financing - *secured* | **392,525,175** | 263,339,180 |
| Short term borrowings - *secured* | **635,897,937** | 129,498,780 |
| | **1,028,423,112** | 392,837,960 |
| ***Islamic mode of financing:*** | | |
| Long term musharika - *secured* | **136,887,313** | 127,081,924 |
| Short term borrowings - *secured* | **109,370,205** | 31,262,401 |
| | **246,257,518** | 158,344,325 |
| | **1,274,680,630** | 551,182,285 |

## 17 Contingencies and commitments

### 17.1 Contingencies

***Income Tax***

17.1.1 The officials of Large Taxpayer Unit (LTU) through order on 27 July 2022 under Section 170 of the Income Tax Ordinance, 2001have curtailed income tax refunds on account of disallowance of the brought-forward minimum tax for tax years 2016 through tax year 2020 and the curtailment of taxes paid or suffered at source for tax year 2021 amounting to Rs. 854.14 million and Rs. 46.98 respectively. Being aggrieved, the company preferred an appeal against the said order before the Commissioner of Inland Revenue Appeals (CIR (A)). During the year, the CIR (A) remand the case back to the assessing officer for denovo consideration. However, the company preferred an appeal before the Appellate Tribunal for Inland Revenue (ATIR) which is pending adjudication.

17.1.2 The officials of LTU, through a notice dated 31 August 2021, initiated proceedings under Section 4B of the Ordinance against the company, which was duly responded to by the company's tax advisor on the company's behalf. Such proceedings were concluded through an order dated 17 September 2021, passed under Section 4B of the Ordinance, whereby a tax demand of Rs 23.97 million imposing super tax and default surcharge was raised against the company. The company assailed the subject order in appeal before CIR(A), which was accepted and vacated against the departmental action by CIR(A) through an appellate order dated 13 April 2022. The department preferred further appeal against the said appellate order before ATIR which is pending adjudication.

17.1.3 The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs 8.8 million for tax year 2013, Rs. 49.78 million for tax year 2016, and Rs. 93.49 million for tax year 2019 against the Company through separate orders, dated 28 June 2019, 29 June 2018, and 29 December 2020 respectively, under Section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2013, 2016 and 2019 respectively. The Company agitated the orders in appeal before Commissioner Inland Revenue Appeals (CIR(A)). For tax year 2013, the Company's appeal against order was disposed of by CIR(A) for which the Company has filed appeal before ATIR which is pending adjudication. For tax year 2016, CIR(A) has vacated the departmental action to the extent of Rs. 39.12 million and for remaining amount of Rs. 10.78 million the Company has filed an appeal before the Appellate Tribunal Inland Revenue ('ATIR') which is pending adjudication. For tax year 2019, the Company's appeal against order was disposed of by CIR(A), through appellate order dated 28 April 2022. Through such order CIR(A) upheld the departmental action on all accounts. Company assailed the said appellate order in appeal before ATIR, which is pending adjudication.

17.1.4 The officials of LTU - Lahore, started proceedings against the company and FWML under Section 161/205 of the Income Tax Ordinance, 2001, by issuing notices dated 29 December 2020, and 17 November 2020. These notices were responded to by the company's tax advisor on behalf of the Company on 01 March and 22 March 2021. Proceedings concluded with an order passed on 31 March 2021, whereby a tax demand of Rs 55.78 million was raised against the Company. The Company prefered an appeal against this order before the Commissioner of Inland Revenue Appeals (CIR(A)).

However, CIR(A), through an appellate order dated 13 October 2021, upheld the departmental action, affirming the tax demand. Subsequently, the Company preferred an appeal against the CIR(A)'s decision before the Appellate Tribunal for Inland Revenue (ATIR). ATIR's decision, dated 29 April 2022, vacated both the earlier orders and remitted the matter back to the tax department for consideration afresh. On 23 June 2023, the tax department maintained its previous decision and issued a tax demand of Rs 55.8 million against the Company. Being aggrieved, the Company preferred an appeal before the CIR(A). On 3 August 2023, CIR (A) upheld the department's decision and passed an order against the company. The company subsequently appealed against the said order before the ATIR which is pending adjudication.

**17.1.5** The officials of LTU - Lahore raised income tax demands of Rs 32.03 million against the Company through amendment order, dated 28 June 2019 under section 122(5A) of the Ordinance for tax year 2013. The Company has preferred appeal against the orders before CIR(A) which was disposed off by CIR(A) through appellate order dated 31 December 2021. Through such order CIR(A) has deleted/ annulled the departmental actions on all the issue except the issue regarding the time limitation of such proceedings and apportionment of expenses under rule 231 of the Income Tax Rules, 2002 ('the Rules'). Feeling aggrieved with the order, Company preferred an appeal before ATIR in accordance with the available remedial course. The department has also filed against the said appellate order before ATIR, both appeals are pending adjudication.

**17.1.6** The officials of LTU-Lahore after concluding an income tax audit under Section 177 of the Ordinance, raised an income tax demand of Rs. 7.98 million against the company through an amended order dated 26 April 2018, under Section 122(5) of the Ordinance for the tax year 2014. The company has preferred an appeal against the orders before CIR(A). Through such an order, CIR(A) has deleted or annulled the departmental action on all issues except the ones regarding the time limitation of such proceedings and the apportionment of expenses under Rule 231 of the Income Tax Rules, 2002. Feeling aggrieved with the aforesaid action, the Company has preferred appeal before ATIR in accordance with the available remedial course. The department has also filed an appeal against the said appellate order before ATIR; both appeals are presently pending adjudication.

**17.1.7** Consequent to the amendment of the deemed income tax assessment of tax years 2006 to 2012 via separate orders dated 30 April 2010, 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014, and 29 January 2016, respectively, involving an income tax of Rs. 324.80 million, the company has been extended significant relief by the CIR(A). The issues in respect of which CIR(A) did not allow relief have been taken up in appeals before the ATIR, and such appeals are pending adjudication.

**17.1.8** The officials of LTU - Lahore, while giving effect to CIR-A's appellate orders under Section 124/129 of the Ordinance in the context of amendments made under Section 122(5A) of the Ordinance, have arbitrarily made disallowances/ increase in income (i.e. exchange loss, notional profit of associates etc.) for tax years 2010 and 2012 vide separate orders, dated 30 June 2018, involving sum of Rs. 657 million. The issue was taken up in appeals before CIR(A). CIR(A) has deleted the departmental action on all issues except for disallowance for exchange loss amounting to Rs. 122.97 million which was remanded back and for which the Company preferred appeal before ATIR which is pending adjudication.

**17.1.9** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2013 involving a sum of Rs. 209 million. The first appellate authority has maintained departmental stance, the Company's appeals are lying with ATIR except for tax year 2013 was furnished with CIR(A) which was decided in the favour of the Company.

**17.1.10** Proceedings were initiated by officials of LTU-Lahore through orders dated December 29, 2018 under Section 122(5A) of the Ordinance regarding the apportionment of deductions claimed on account of WPPF to export income amounting to Rs. 16.12 million and Rs. 12.50 million for tax years 2015 and 2017, respectively. The Company filed an appeal before CIR(A), which was decided against the company by CIR(A) through an appellate order dated 24 August 2020. The Company has assailed the said appellate order in appeal before ATIR, which is pending for adjudication.

**17.1.11** Through an order dated 28 June 2019 under Section 132/162/205 of the Ordinance, the LTU-Lahore officials raised an income tax demand of Rs. 10.11 million for the tax year 2009 on the grounds that tax under Section 148 of the Ordinance at the import stage was short paid. The Company filed an appeal before CIR(A), and through an appellate order dated 23 October 2019, the tax demand was vacated by CIR(A). The department has assailed the appellate order of CIR(A) in appeal before ATIR, which has not yet been fixed for hearing.

***Sales Tax***

**17.1.12** The Deputy Commissioner of Inland Revenue (DCIR) initiated proceedings against the Company under Section 11 of the Sales Tax Act, 1990, for the subject tax periods through notice dated 22 March 2022, whereby intentions were shown to adjudge sales tax default in connection with the claim of input sales tax of Rs. 38.65 million, by relying on the provisions of section 8(1)(a), (f) to (m) of the Act. Such notice was duly responded by the Company's tax advisors on Company's behalf, and proceedings were concluded through Order-In-Original No. ('ONO') 64/2021-22 dated 17 June 2022, whereby the confronted default was adjudged against the Company. The Company preferred an appeal against the subject ONO before CIR(A) as per the available remedial course.

The proceedings concluded with the issuance of Order-In-Original No. 64/2021-22 dated June 17, 2022, where the alleged default was confirmed against the Company. Being aggrieved, the Company preferred an appeal against this order before the Commissioner of Inland Revenue Appeals (CIR(A)) following the available remedial course. CIR(A) issued Order No. 44 dated 30 December 2022, ruling in favour of the Company on most of the issues.

However, one specific issue regarding the inadmissibility of input tax was not accepted by CIR(A), and the case was remanded back to the assessing officer for further consideration. However, the tax department preferred an appeal before the Appellate Tribunal for Inland Revenue (ATIR) against the order passed by the Commissioner of Inland Revenue Appeals (CIR(A)), which is pending adjudication.

17.1.13 The Assistant Commissioner Inland Revenue ('ACIR') as a result of sales tax audit for tax year July 2013 to June 2014 raised a sales tax demand of Rs. 71.60 million through order dated 31 July 2017. The Company filed an appeal before CIR(A) which was disposed off through appellate order dated 06 March 2019 passed under Section 45B of the Sales Tax Act ('Act') whereby such order was annulled, and the matter was remanded back to department for denovo consideration which is pending adjudication. Meanwhile, the Company preferred an appeal in ATIR for the disposal of the case as reasonable grounds exists, however, the matter is pending adjudication.

17.1.14 The Deputy Commissioner Inland Revenue ('DCIR') issued Order-In-Original No.14/2019-20 dated April 15, 2020 ('ONO') under Section 11 of the Sales Tax Act 1990, disallowing the input tax of Rs 143.63 million claimed under various heads from tax periods July 2013 to August 2018. The Company preferred an appeal before CIR(A) which was disposed off through appellate order dated 29 June 2020 passed under Section 45B of the Act whereby ONO was annulled, and the matter was remanded back to department for denovo consideration. However, the Company preferred an appeal in ATIR and the matter is pending adjudication.

17.1.15 The Commissioner of Inland Revenue ('CIR') through an order dated December 28, 2017, rejected the admissibility of input tax aggregating to Rs 7.27 million, primarily on account of a mismatch between buyer and seller declarations and building materials, subsequent to the audit of the tax period from July 2013 to June 2014. The Company agitated for such an order in appeal before the CIR(A). The Company's appeal against the subject ONO, which was disposed of by CIR(A) through an appellate order dated October 29, 2020, annulling/ deleting the departmental action on the majority of the issues taken up in the appeal, while certain other matters were upheld by CIR(A). The Company has agitated for such an order in appeal before ATIR, which is pending adjudication.

17.1.16 The CIR-A, through its order dated 14 April 2016, has maintained departmental rejection of the input tax of Rs 18.10 million (primarily comprising building materials) in terms of the provisions contained in SRO 450(I)/2013 for the tax period March 2014, June 2014, October 2014, through February 2015. The Company has agitated for such an order in appeal before ATIR, which is pending adjudication.

17.1.17 The DCIR issued Order-In-Original No. 23/2019-20 dated 11 June 2021, under Section 11 of the Act, disallowing the input tax on construction/ building materials of Rs. 8.07 million for the tax periods July 2019 to June 2020. The Company agitated such order in appeal before the CIR(A). The Company's appeal against the subject ONO which was disposed of by CIR(A), through appellate order dated 11 January 2022. The Company assailed the said order in appeal before ATIR and case is still pending at this stage.

Based on the opinion of the Company's legal and tax advisors the management is confident of favourable outcome in all aforesaid matters, hence no provision is recognized in respect of these matters in the financial statements.

### 17.2 Commitments

17.2.1 Export documents negotiated with banks under Foreign bill purchase facility are nil (2022: USD 10.10 million and Euro 0.19 million)

| | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| 17.2.2 | Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies. | **2,583,001,754** | 1,774,201,934 |
| 17.2.3 | **Commitments against irrevocable letters of credit:** | | |
| | *- capital expenditure* | **-** | 2,898,948,577 |
| | *- raw material and stores and spares* | **4,928,257,464** | 3,111,648,832 |
| | | **4,928,257,464** | 6,010,597,409 |
| 17.2.4 | **Commitments in respect of foreign exchange forward contracts:** | **-** | 349,350,000 |

**17.2.5 Commitments in respect of Fatima Energy limited (FEL):**

The Company through sponsors support agreement commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to Rs 6,000 million (2022: Rs 6,000 million). This commitment was already approved by the shareholders under section 199 of the Companies Act, 2017 in annual general meeting dated 26 November 2020.

**17.2.6 Commitments in respect of Fatima Transmission Company Limited (FTCL):**

The Company through sponsors support agreement commits to MCB Bank Limited, in case of default by FTCL, to pay amount outstanding up to Rs 250 million (2022: Rs. 250 million). This commitment was already approved by the shareholders under section 199 of the Companies Act, 2017 in extra ordinary general meeting held on 25 March 2017.

18 Property, plant and equipment

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Operating fixed assets | 18.1 | 47,865,805,154 | 40,194,533,834 |
| Right of use Asset | 18.1 | 45,948,645 | 51,692,225 |
| Capital work-in-progress - *at cost* | 18.3 | 4,920,976,390 | 1,272,077,500 |
| | | 52,832,730,189 | 41,518,303,559 |

## 18.1 Operating fixed assets

| | Cost/ revalued amount | | | | | | | Accumulated depreciation | | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2022 | Revaluation surplus | Additions | Reclassification | Disposals | Balance as at 30 June 2023 | Rate % | Balance as at 01 July 2022 | Revaluation surplus | For the year | Reclassification | Disposals | Balance as at 30 June 2023 | Balance as at 30 June 2023 |
| | Rupees | | | | | | | Rupees | | | | | | |
| *Freehold land* | | | | | | | | | | | | | | |
| - cost | 339,609,664 | - | 354,324,398 | - | - | 693,934,062 | | - | - | - | - | - | - | 693,934,062 |
| - revaluation surplus | 6,347,244,136 | 1,141,321,803 | - | - | - | 7,488,565,939 | | - | - | - | - | - | - | 7,488,565,939 |
| | 6,686,853,800 | 1,141,321,803 | 354,324,398 | - | - | 8,182,500,001 | | - | - | - | - | - | - | 8,182,500,001 |
| *Factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 3,013,632,084 | - | 60,612,108 | - | - | 3,074,244,192 | | 944,499,743 | - | 105,390,282 | - | - | 1,049,890,025 | 2,024,354,167 |
| - revaluation surplus | 6,404,792,835 | 1,577,885,723 | - | - | - | 7,982,678,558 | 5 | 2,983,742,434 | 621,027,066 | 171,052,520 | - | - | 3,775,822,020 | 4,206,856,538 |
| | 9,418,424,919 | 1,577,885,723 | 60,612,108 | - | - | 11,056,922,750 | | 3,928,242,177 | 621,027,066 | 276,442,802 | - | - | 4,825,712,045 | 6,231,210,705 |
| *Non-factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 1,144,824,700 | - | 97,505,124 | - | - | 1,242,329,824 | | 341,691,626 | - | 41,430,853 | - | - | 383,122,479 | 859,207,345 |
| - revaluation surplus | 4,485,744,249 | 212,264,347 | - | - | - | 4,698,008,596 | 5 | 1,990,168,275 | 92,193,243 | 124,778,797 | - | - | 2,207,140,315 | 2,490,868,281 |
| | 5,630,568,949 | 212,264,347 | 97,505,124 | - | - | 5,940,338,420 | | 2,331,859,901 | 92,193,243 | 166,209,650 | - | - | 2,590,262,794 | 3,350,075,626 |
| *Non-factory building on lease hold land* | | | | | | | | | | | | | | |
| - cost | 85,284,154 | - | 55,392,289 | - | - | 140,676,443 | | 44,321,558 | - | 6,836,793 | - | - | 51,158,351 | 89,518,092 |
| - revaluation surplus | 69,205,926 | 124,872,620 | - | - | - | 194,078,546 | 15 | 35,745,848 | 54,691,074 | 5,019,012 | - | - | 95,455,934 | 98,622,612 |
| | 154,490,080 | 124,872,620 | 55,392,289 | - | - | 334,754,989 | | 80,067,406 | 54,691,074 | 11,855,805 | - | - | 146,614,285 | 188,140,704 |
| *Plant and machinery* | | | | | | | | | | | | | | |
| - cost | 23,005,157,841 | - | 952,489,264 | - | - | 23,957,647,105 | | 6,790,933,551 | - | 828,885,243 | - | - | 7,619,818,794 | 16,337,828,311 |
| - revaluation surplus | 10,914,562,930 | 8,053,294,993 | - | - | - | 18,967,857,923 | 5 | 4,888,116,774 | 2,887,655,083 | 301,307,278 | - | - | 8,077,079,135 | 10,890,778,788 |
| | 33,919,720,771 | 8,053,294,993 | 952,489,264 | - | - | 42,925,505,028 | | 11,679,050,325 | 2,887,655,083 | 1,130,192,521 | - | - | 15,696,897,929 | 27,228,607,099 |
| *Electric fittings and installations* | | | | | | | | | | | | | | |
| - cost | 1,143,332,870 | - | 18,468,949 | (8,112,785) | (46,681) | 1,153,642,353 | | 333,627,062 | - | 40,060,724 | (764,326) | (18,474) | 372,904,986 | 780,737,367 |
| - revaluation surplus | 2,109,395,047 | 314,562,620 | - | - | - | 2,423,957,667 | 5 | 990,571,619 | 143,619,347 | 55,941,171 | - | - | 1,190,132,137 | 1,233,825,530 |
| | 3,252,727,917 | 314,562,620 | 18,468,949 | (8,112,785) | (46,681) | 3,577,600,020 | | 1,324,198,681 | 143,619,347 | 96,001,895 | (764,326) | (18,474) | 1,563,037,123 | 2,014,562,897 |
| *Sui gas installations* | | | | | | | | | | | | | | |
| - cost | 21,745,018 | - | 40,000 | - | - | 21,785,018 | | 10,280,003 | - | 574,917 | - | - | 10,854,920 | 10,930,098 |
| - revaluation surplus | 34,466,927 | 2,400,369 | - | - | - | 36,867,296 | 5 | 18,787,651 | 1,225,783 | 783,964 | - | - | 20,797,398 | 16,069,898 |
| | 56,211,945 | 2,400,369 | 40,000 | - | - | 58,652,314 | | 29,067,654 | 1,225,783 | 1,358,881 | - | - | 31,652,318 | 26,999,996 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | | | |
| - cost | 165,414,873 | - | 2,601,357 | - | - | 168,016,230 | | 64,717,387 | - | 5,133,707 | - | - | 69,851,094 | 98,165,136 |
| - revaluation surplus | 242,645,940 | 124,730,324 | - | - | - | 367,376,264 | 5 | 126,780,071 | 54,047,033 | 5,793,293 | - | - | 186,620,397 | 180,755,867 |
| | 408,060,813 | 124,730,324 | 2,601,357 | - | - | 535,392,494 | | 191,497,458 | 54,047,033 | 10,927,000 | - | - | 256,471,491 | 278,921,003 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | | | |
| - cost | 34,080,832 | - | 80,000 | - | - | 34,160,832 | | 9,520,296 | - | 1,233,163 | - | - | 10,753,459 | 23,407,373 |
| - revaluation surplus | 57,113,152 | 7,050,253 | - | - | - | 64,163,405 | 5 | 31,908,269 | 3,444,918 | 1,260,244 | - | - | 36,613,431 | 27,549,974 |
| | 91,193,984 | 7,050,253 | 80,000 | - | - | 98,324,237 | | 41,428,565 | 3,444,918 | 2,493,407 | - | - | 47,366,890 | 50,957,347 |
| Office equipments | 85,374,783 | - | 33,140,803 | 8,112,785 | (497,129) | 126,131,242 | 10 | 35,212,759 | - | 7,376,528 | 764,326 | (235,717) | 43,117,896 | 83,013,346 |
| Furniture and fittings | 33,800,314 | - | 670,013 | - | - | 34,470,327 | 10 | 19,173,695 | - | 1,511,456 | - | - | 20,685,151 | 13,785,176 |
| Vehicles | 306,356,261 | - | 143,015,767 | - | - | 449,372,028 | 20 | 189,452,081 | - | 42,888,693 | - | - | 232,340,774 | 217,031,254 |
| Right of use asset - land | 68,922,967 | - | - | - | - | 68,922,967 | | 17,230,742 | | 5,743,580 | - | - | 22,974,322 | 45,948,645 |
| 2023 | 60,112,707,503 | 11,558,383,052 | 1,718,340,072 | - | (543,810) | 73,388,886,817 | | 19,866,481,444 | 3,857,903,547 | 1,753,002,218 | - | (254,191) | 25,477,133,018 | 47,911,753,799 |

| | Cost/ revalued amount | | | | | | | Accumulated depreciation | | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2021 | Revaluation surplus | Additions | Reclassification | Disposals | Balance as at 30 June 2022 | Rate % | Balance as at 01 July 2021 | Revaluation surplus | For the year | Reclassification | Disposals | Balance as at 30 June 2022 | Balance as at 30 June 2022 |
| | Rupees | | | | | | | Rupees | | | | | | |
| *Freehold land* | | | | | | | | | | | | | | |
| - cost | 476,175,357 | - | 74,557,400 | - | (211,123,093) | 339,609,664 | | - | - | - | - | - | - | 339,609,664 |
| - revaluation surplus | 6,583,786,043 | - | - | - | (236,541,907) | 6,347,244,136 | | - | - | - | - | - | - | 6,347,244,136 |
| | 7,059,961,400 | - | 74,557,400 | - | (447,665,000) | 6,686,853,800 | | - | - | - | - | - | - | 6,686,853,800 |
| *Factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 2,804,367,855 | - | 209,264,229 | - | - | 3,013,632,084 | | 840,465,478 | - | 104,034,265 | - | - | 944,499,743 | 2,069,132,341 |
| - revaluation surplus | 6,404,792,835 | - | - | - | - | 6,404,792,835 | 5 | 2,803,687,150 | - | 180,055,284 | - | - | 2,983,742,434 | 3,421,050,401 |
| | 9,209,160,690 | - | 209,264,229 | - | - | 9,418,424,919 | | 3,644,152,628 | - | 284,089,549 | - | - | 3,928,242,177 | 5,490,182,742 |
| *Non-factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 1,016,346,955 | - | 128,477,745 | - | - | 1,144,824,700 | | 305,072,655 | - | 36,618,971 | - | - | 341,691,626 | 803,133,074 |
| - revaluation surplus | 4,485,744,249 | - | - | - | - | 4,485,744,249 | 5 | 1,858,822,173 | - | 131,346,102 | - | - | 1,990,168,275 | 2,495,575,974 |
| | 5,502,091,204 | - | 128,477,745 | - | - | 5,630,568,949 | | 2,163,894,828 | - | 167,965,073 | - | - | 2,331,859,901 | 3,298,709,048 |
| *Non-factory building on lease hold land* | | | | | | | | | | | | | | |
| - cost | 85,284,154 | - | - | - | - | 85,284,154 | | 37,092,865 | - | 7,228,693 | - | - | 44,321,558 | 40,962,596 |
| - revaluation surplus | 69,205,926 | - | - | - | - | 69,205,926 | 15 | 29,841,128 | - | 5,904,720 | - | - | 35,745,848 | 33,460,078 |
| | 154,490,080 | - | - | - | - | 154,490,080 | | 66,933,993 | - | 13,133,413 | - | - | 80,067,406 | 74,422,674 |
| *Plant and machinery* | | | | | | | | | | | | | | |
| - cost | 19,459,162,822 | - | 3,660,526,512 | - | (114,531,493) | 23,005,157,841 | | 6,141,179,161 | - | 733,003,829 | - | (83,249,439) | 6,790,933,551 | 16,214,224,290 |
| - revaluation surplus | 10,992,730,060 | - | - | - | (78,167,130) | 10,914,562,930 | 5 | 4,604,843,914 | - | 318,685,273 | - | (35,412,413) | 4,888,116,774 | 6,026,446,156 |
| | 30,451,892,882 | - | 3,660,526,512 | - | (192,698,623) | 33,919,720,771 | | 10,746,023,075 | - | 1,051,689,102 | - | (118,661,852) | 11,679,050,325 | 22,240,670,446 |
| *Electric fittings and installations* | | | | | | | | | | | | | | |
| - cost | 946,387,250 | - | 197,323,885 | - | (378,265) | 1,143,332,870 | | 299,871,230 | - | 33,915,670 | - | (159,838) | 333,627,062 | 809,705,808 |
| - revaluation surplus | 2,109,395,047 | - | - | - | - | 2,109,395,047 | 5 | 931,686,176 | - | 58,885,443 | - | - | 990,571,619 | 1,118,823,428 |
| | 3,055,782,297 | - | 197,323,885 | - | (378,265) | 3,252,727,917 | | 1,231,557,406 | - | 92,801,113 | - | (159,838) | 1,324,198,681 | 1,928,529,236 |
| *Sui gas installations* | | | | | | | | | | | | | | |
| - cost | 20,905,988 | - | 839,030 | - | - | 21,745,018 | | 9,659,101 | - | 620,902 | - | - | 10,280,003 | 11,465,016 |
| - revaluation surplus | 34,466,927 | - | - | - | - | 34,466,927 | 5 | 17,962,426 | - | 825,225 | - | - | 18,787,651 | 15,679,276 |
| | 55,372,915 | - | 839,030 | - | - | 56,211,945 | | 27,621,527 | - | 1,446,127 | - | - | 29,067,654 | 27,144,292 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | | | |
| - cost | 163,260,741 | - | 2,154,132 | - | - | 165,414,873 | | 59,490,238 | - | 5,227,149 | - | - | 64,717,387 | 100,697,486 |
| - revaluation surplus | 242,645,940 | - | - | - | - | 242,645,940 | 5 | 120,681,868 | - | 6,098,203 | - | - | 126,780,071 | 115,865,869 |
| | 405,906,681 | - | 2,154,132 | - | - | 408,060,813 | | 180,172,106 | - | 11,325,352 | - | - | 191,497,458 | 216,563,355 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | | | |
| - cost | 23,407,376 | - | 10,673,456 | - | - | 34,080,832 | | 8,737,000 | - | 783,296 | - | - | 9,520,296 | 24,560,536 |
| - revaluation surplus | 57,113,152 | - | - | - | - | 57,113,152 | 5 | 30,581,696 | - | 1,326,573 | - | - | 31,908,269 | 25,204,883 |
| | 80,520,528 | - | 10,673,456 | - | - | 91,193,984 | | 39,318,696 | - | 2,109,869 | - | - | 41,428,565 | 49,765,419 |
| Office equipments | 75,437,113 | - | 12,370,333 | - | (2,432,663) | 85,374,783 | 10 | 30,953,867 | - | 5,318,705 | - | (1,059,813) | 35,212,759 | 50,162,023 |
| Furniture and fittings | 32,580,132 | - | 1,220,182 | - | - | 33,800,314 | 10 | 17,585,361 | - | 1,588,334 | - | - | 19,173,695 | 14,626,619 |
| Vehicles | 288,061,777 | - | 24,116,067 | - | (5,821,583) | 306,356,261 | 20 | 167,909,002 | - | 26,922,891 | - | (5,379,812) | 189,452,081 | 116,904,180 |
| Right of use asset - land | 68,922,967 | - | - | - | - | 68,922,967 | | 11,487,161 | | 5,743,581 | - | - | 17,230,742 | 51,692,225 |
| 2022 | 56,440,180,666 | - | 4,321,522,971 | - | (648,996,134) | 60,112,707,503 | | 18,327,609,650 | - | 1,664,133,109 | - | (125,261,315) | 19,866,481,444 | 40,246,226,059 |

**18.1.1 Depreciation for the year has been allocated as under:**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Cost of sales | 31 | 1,683,626,156 | 1,611,154,208 |
| Administrative expense | 33 | 69,376,062 | 52,978,901 |
| | | 1,753,002,218 | 1,664,133,109 |

**18.1.2** All assets of the Company as at 30 June 2023 are located in Pakistan.

**18.1.3** The latest valuation of the Company's assets was carried out on 30 June 2023. The Category wise gross revalued amounts along with forced sale values, as at that date, are given below:

| | Gross revalued amount | Forced sales value |
|---|---|---|
| | ---------- Rupees ---------- | |
| Freehold land | 8,182,500,001 | 6,553,200,601 |
| Factory building on free hold land | 6,231,210,705 | 4,990,452,029 |
| Non-factory building on free hold land | 3,350,075,626 | 2,683,008,567 |
| Non-factory building on lease hold land | 188,140,704 | 150,678,127 |
| Plant and machinery | 27,228,607,099 | 21,806,846,853 |
| Electric fittings and installations | 2,014,562,897 | 1,613,423,133 |
| Sui gas installations | 26,999,996 | 21,623,757 |
| Tools, laboratory equipment and arms | 278,921,003 | 223,382,253 |
| Fire extinguishing equipment and scales | 50,957,347 | 40,810,720 |
| | 47,551,975,378 | 38,083,426,041 |

**18.1.4** Had there been no revaluation of the freehold land, factory building on freehold land, non-factory building on free hold and leasehold land, thereon and plant and machinery, electric fittings and installations, sui gas installations, tools laboratory equipment and arms, fire fighting and weighing scales, the net book value as of 30 June 2023 would have been as follows:

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Freehold land | 693,934,062 | 339,609,664 |
| Factory building | 2,024,354,167 | 2,069,132,341 |
| Non-Factory building - freehold land | 859,207,345 | 803,133,074 |
| Non-Factory building- leasehold land | 89,518,092 | 40,962,596 |
| Plant & machinery | 16,337,828,311 | 16,214,224,290 |
| Electric fitting & installations | 780,737,367 | 809,705,808 |
| Sui gas installations | 10,930,098 | 11,465,015 |
| Tools, lab equipments & arms | 98,165,136 | 100,697,486 |
| Fire extinguishing equipment & scale | 23,407,373 | 24,560,536 |
| | 20,918,081,951 | 20,413,490,810 |

**18.1.5** Particulars of immoveable fixed assets (i.e. land and building) in the name of the Company are as follows:

| Particulars | Location | Total Area |
|---|---|---|
| Free hold land (Manufacturing Unit) | Jhang Road, Muzaffargarh | 624 kanal 8.5 marlas and 125 square yard |
| Free hold land (Residential Colony) | Jhang Road, Muzaffargarh | 107 kanal and 15 marlas |
| Free hold land (Manufacturing Unit) | Moza Khanpur Shumali, Muzaffargarh | 157 kanal and 19 |
| Free hold land (Residential Colony) | Moza Khanpur Shumali Muzaffargarh | 13 kanal |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 576 kanal and 18 marlas |
| Free hold land (Residential Colony) | Qadirpur Rawan bypass Khanewal Road, Multan | 92 kanal and 8 marlas |
| Free hold land (Administrative Storage Unit) | Sarwar Road, Multan | 15 marlas |
| Free hold land | Bahawalpur Road, Multan | 7 kanal and 9 marlas |

Factory buildings, non-factory building, plant and machinery, electric fitting and installation and sui gas installation are located on above mentioned free hold land, whereas, building on leasehold land (Head office building) is constructed on land held under operating lease, measuring 7 kanal, 13 marla and 153 square feet, located at 59/3, Abdali Road, Multan.

18.2 The following assets were disposed of during the year

| | Cost/ revalued amount | Accumulated depreciation | Net book value | Sale proceeds/ Insurance claim | Gain/ (loss) | Mode of disposal | Particulars of purchaser | Relationship |
|---|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | Rupees | ---------- | ---------- | | | |
| **Electric Fitting & Installations** | | | | | | | | |
| Air Conditioner orient electronics U03 Qdr | 46,681 | 18,474 | 28,207 | 67,000 | 38,793 | Insurance Claim | Adamjee Insurance Co. Ltd | Third Party |
| **Office Equipment** | | | | | | | | |
| Various assets having net book value up to Rs. 500,000 each | 497,129 | 235,717 | 261,412 | 480,600 | 219,188 | Insurance Claim | Adamjee Insurance Co. Ltd | Third Party |
| | **543,810** | **254,191** | **289,619** | **547,600** | **257,981** | | | |
| **2023** | **543,810** | **254,191** | **289,619** | **547,600** | **257,981** | | | |
| 2022 | 648,996,134 | 125,261,315 | 523,734,819 | 482,675,501 | (41,059,318) | | | |

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **18.3** | **Capital work-in-progress - *cost*** | | | |
| | Balance as at 01 July | | **1,272,077,500** | 303,637,345 |
| | Additions during the year | | **5,367,238,962** | 5,289,963,126 |
| | Transfers during the year | *18.1* | **(1,718,340,072)** | (4,321,522,971) |
| | Balance as at 30 June | *18.4* | **4,920,976,390** | 1,272,077,500 |
| **18.4** | **Breakup of capital work-in-progress:** | | | |
| | Building on free hold land | | **585,547,931** | 430,304,642 |
| | Non-factory building on free hold land | | **124,081,106** | 32,389,493 |
| | Plant and machinery | | **3,863,667,131** | 542,169,763 |
| | Electric fittings and installations | | **236,278,701** | 17,500 |
| | Fire fighting equipment & weigh scales | | **2,864,083** | - |
| | Furniture and fixtures | | **5,162,393** | - |
| | Office equipment | | **2,189,855** | - |
| | Advances to suppliers - unsecured, considered good | *18.4.1* | **101,185,190** | 267,196,102 |
| | | *18.4.2* | **4,920,976,390** | 1,272,077,500 |

**18.4.1** These mainly includes advances against civil works, plant and machinery and vehicles and are in the normal course of business.

**18.4.2** This mainly includes expenditure relating to construction, development and installation of new spinning unit. This also includes borrowing cost capitalized amounting to Rs. 243 million (2022: nil) incurred on bank borrowings at an effective rate of 16.49% to 24.91% (2022: nil).

| **19** | **Long term investments** | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| | ***At fair value through OCI*** | | | |
| | Fatima Fertilizer Company Limited - *quoted* | *19.1* | **1,877,852,064** | 2,381,174,372 |
| | Fatima Energy Limited - *unquoted* | *19.2* | **3,663,963,847** | 4,703,856,968 |
| | Fatima Transmission Company Limited - *unquoted* | *19.3* | **101,213,615** | 137,297,360 |
| | Multan Real Estate (Private) Limited - *unquoted* | *19.4* | **316,121,760** | 262,397,082 |
| | | | **5,959,151,286** | 7,484,725,782 |
| | ***Associated companies - at equity method*** | | | |
| | Fatima Transmission Company Limited - unquoted (Ordinary shares) | | - | - |
| | Fatima Electric Company Limited - unquoted | *19.5* | - | 5,539 |
| | | | - | 5,539 |
| | ***At fair value through P&L*** | | | |
| | Term finance certificates | *19.7* | **40,000,000** | - |
| | | | **5,999,151,286** | 7,484,731,321 |

| | Note | Shares | | Market value | | Market value per share | | Percentage of holding | |
|---|---|---|---|---|---|---|---|---|---|
| | | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 |
| | | Number | | Rupees | | Rupees | | | |
| **19.1 At fair value through OCI** | | | | | | | | | |
| Fatima Fertilizer Company Limited - related party, *quoted* | *19.1.1* | **62,994,031** | 62,994,031 | **1,877,852,064** | 2,381,174,372 | **29.81** | 37.80 | **3.00%** | 3.00% |

**19.1.1** The investments in Fatima Fertilizer Company Limited '(FFCL)' has been designated as fair value through OCI under IFRS 9. FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Company does not have significant influence on FFCL. These shares are pledged as security with commercial bank as refferred in note 13.

| | Note | Shares | | Fair value | | Percentage of holding | |
|---|---|---|---|---|---|---|---|
| | | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 |
| **19.2** Fatima Energy Limited - *related party, unquoted* | | Number | | Rupees | | | |
| Ordinary Shares - *unquoted* | | **108,300,000** | 108,300,000 | **896,724,000** | 1,151,229,000 | **19.00%** | 19.00% |
| Non voting, non cumulative, redeemable, convertible Preference Shares - *unquoted* | *19.2.1* | **334,207,711** | 334,207,711 | **2,767,239,847** | 3,552,627,968 | **31.41%** | 31.41% |
| | | **442,507,711** | 442,507,711 | **3,663,963,847** | 4,703,856,968 | | |

**19.2.1** The Company holds 31.4% preference shares in FEL, however the Company believes that it does not have significant influence in the investee company. This investment in FEL (ordinary shares and preference shares) has been designated at fair value through OCI under IFRS 9. The fair value at reporting date has been determined by an independent valuer and has been designated at Level 3 as mentioned in note 40.

Following major terms and conditions for issuance of preference shares are agreed by both companies.

- Preference shares are unlisted, perpetual, non commulative, redeemable and convertible.
- A conversion option of preference shares into ordinary shares with ratio of 1:1 after a period of 5 years and a redemption option after 21.5 years stands with the issuer of preference shares i.e. FEL.
- Preference sharesholders have no voting rights and does not carry entitlement of ordinary shares, right issue or bonus issue.
- Preference shareholders will be entitled up to 60% of profit after tax subject to discretion of the Board of Directors and approval of shareholders of FEL.
- Preference will be given to preference shareholders before declaring dividend to ordinary shareholder.
- If the FEL has no surplus/distributable profits available at the end of any financial year, no dividend shall be declared. The dividend will also not accumulate.
- Preference shares shall be transferrable among the Preference shareholders.
- The face value of preference shares shall not be higher than the par value of existing ordinary shares i.e. Rupees 10 each.
- At the time of winding up, the holders of the preference shares are entitled to a pro rata share of FEL's available net assets.

***Fatima Energy Limited - Preference Shares***

| | 30 June 2023 | 30 June 2022 |
|---|---|---|
| | ----Rupees---- | |
| Balance as at 01 July | **3,552,627,968** | - |
| De-recognition of long term advance | - | 3,342,077,112 |
| Loss on de-recognition of advance upon conversion into preference shares - recognized in P&L | - | (284,076,556) |
| | **3,552,627,968** | 3,058,000,556 |
| Fair value (loss) / gain recognized in 'Statement of Comprehensive Income' | **(785,388,121)** | 494,627,412 |
| Balance as at 30 June | **2,767,239,847** | 3,552,627,968 |

| | | Note | Shares | | Fair value | | Percentage of holding | |
|---|---|---|---|---|---|---|---|---|
| | | | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 |
| | | | ----Number---- | | ----Rupees---- | | ---- % ---- | |
| 19.3 | Fatima Transmission Company Limited - ***unquoted*** (preference shares) | | | | | | | |
| | Non voting, non cumulative, redeemable convertible Preference Shares - unquoted | *19.3.1* | **12,795,653** | 12,795,653 | **101,213,615** | 137,297,360 | **30.71%** | 30.71% |

**19.3.1** The Company holds 30.71% of preference shares in FTCL, however the Company believes that it does not have significant influence as preference shares currently do not carry any voting rights nor any current access to the returns associated with an underlying ownership interest. This investment in FTCL's preference shares has been designated at fair value through OCI under IFRS 9. The fair value at reporting date has been determined by an independent valuer and has been designated at Level 3 as mentioned in note 40.

Following major terms and conditions for issuance of preference shares are agreed by both companies:

- These preference shares are unlisted, perpetual, non commulative, redeemable and convertible.
- A conversion option of preference shares into ordinary shares with ratio of 1:1 after a period of 5 years and a redemption option after 21.5 years stands with the issuer of preference shares i.e. FTCL.
- Preference sharesholders have no voting rights and does not carry entitlement of ordinary shares, right issue or bonus issue.
- Preference shareholders will be entitled up to 60% of profit after tax subject to discretion of the Board of Directors and approval of shareholders of FTCL.
- Preference will be given to preference shareholders before declaring dividend to ordinary shareholder.
- If the FTCL has no surplus/distributable profits available at the end of any financial year, no dividend shall be declared. The dividend will also not accumulate.
- Preference shares shall be transferrable among the Preference shareholders.
- The face value of preference shares shall not be higher than the par value of existing ordinary shares i.e. Rupees 10 each.
- At the time of winding up, the holders of the preference shares are entitled to a pro rata share of FTCL's available net assets.

***Fatima Transmission Company Limited - Preference Shares***

| | 2023 | 2022 |
|---|---|---|
| | ----Rupees---- | |
| Balance as at 01 July | **137,297,360** | - |
| De-recognition of long term advance | - | 127,956,533 |
| Gain on derecogniton of advance upon conversion to preference share - *recognized in P&L* | - | 9,340,827 |
| Fair value loss recognized in 'Statement of Comprehensive Income' | **(36,083,745)** | - |
| Balance as at 30 June | **101,213,615** | 137,297,360 |

**19.4** This represents 17.04% (2022: 17.04%) ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity. The latest valuation is based on adjusted net asset value of MREPL as at 30 June 2023 and has been designated at level 3 as mentioned in note 40.

**19.5 Associated companies with significant influence** - ***under equity method***

| | | Shares | | Carrying value | | Percentage of holding | |
|---|---|---|---|---|---|---|---|
| | | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 | **30 June 2023** | 30 June 2022 |
| | *Note* | --Number-- | | --Rupees-- | | | |
| Fatima Transmission Company Limited - *unquoted* | | | | | | | |
| Ordinary Shares - unquoted | *19.5.1* | **5,520,000** | 5,520,000 | - | - | **24.00%** | 24.00% |
| Fatima Electric Company Limited - *unquoted* | *19.5.2* | **7,000** | 7,000 | - | 5,539 | **20.00%** | 20.00% |
| | | **5,527,000** | 5,527,000 | - | 5,539 | | |

**19.5.1** Fatima Transmission Company Limited (FTCL), was incorporated in Pakistan on 26 December 2014 as a public limited company under the repealed Companies Ordinance (now Companies Act, 2017). The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power. The share of loss has been restricted to cost of investment.

**19.5.2** Fatima Electric Company Limited (FECL) was incorporated in Pakistan on 29 February 2016 as a public limited company under the repealed Companies Ordinance (now Companies Act, 2017). The principal activity of FECL is to carry on supplying, generating, distributing and dealing in electricity and all forms of energy and power generated by any source.

19.6 Investments of the Company in associated companies has been accounted for under equity method of accounting based on their un-audited management financial statements for the year ended 30 June 2023.

19.6.1 Reconciliation of carrying value of investments in associated companies accounted for under equity method:

| | Note | 2023 FTCL (Un-audited) | 2023 FECL (Un-audited) |
|---|---|---|---|
| | | --------- Rupees --------- | |
| Cost of investment | | | |
| - Ordinary shares | | **55,200,000** | **70,000** |
| | | **55,200,000** | **70,000** |
| ***Company's share of loss - post acquisition :*** | | | |
| Balance at 01 July | | **(55,200,000)** | **(64,461)** |
| *Statement of profit or loss* | | | |
| - share of loss | 36 | - | **(5,539)** |
| - share of tax | | - | - |
| | | - | **(5,539)** |
| | | **(55,200,000)** | **(70,000)** |
| **Net investment at 30 June 2023** | | | |
| - Ordinary shares | | - | - |

| | Note | 2022 FTCL (Audited) | 2022 FECL (Audited) |
|---|---|---|---|
| | | --------- Rupees --------- | |
| Cost of investment | | 55,200,000 | 70,000 |
| | | 55,200,000 | 70,000 |
| *Company's share of loss - post acquisition :* | | | |
| Balance at 01 July | | (55,200,000) | (58,395) |
| *Statement of profit or loss* | | | |
| - share of loss | 36 | - | (6,066) |
| - share of tax | | - | - |
| | | - | (6,066) |
| | | (55,200,000) | (64,461) |
| Balance at 30 June | | - | 5,539 |

19.6.2 Since the Company's investment in equity accounted investment has reduced to zero due to post acquisition losses and keeping in view the materiality of these investments, summarized financial information of these equity accounted investment has not been presented in these financial statements.

19.7 This represents investment in TFC of Bank Al Habib Limited (BAHL) and Bank of Punjab (BOP) of Rs. 25 million and Rs. 15 million respectively. These carry mark up at the rate of 6 months Kibor plus spread (2% for BOP and 1.65% for BAHL).

| 20 Long term advance and mark up accrued | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Fatima Energy Limited - *related party* | *20.1* | 307,129,396 | 307,129,396 |
| Fatima Transmission Company Limited - *associate* | *20.2* | 13,748,696 | 13,748,696 |
| Pak Arab Energy Limited - *associate* | *20.3* | 25,904,160 | 25,904,160 |
| | | 346,782,252 | 346,782,252 |
| Less: Loss allowance for the year | *20.5* | (346,782,252) | (346,782,252) |
| | | - | - |

**20.1** This represents the mark up accrued (after impact of discounting due to change in timing of cashflows in prior years) on advances disbursed to meet the working capital requirements, operational / capital needs of FEL in prior years. The advance carried mark-up at the rate of average borrowing cost of the Company. Till 21 March 2022, the loan and related markup (interest free) had been measured at fair value by discounting the cash flows at the rate of average borrowing cost of the Company. As of this date, the outstanding amount of advance was converted into preference shares and the closing balance represented markup accrued was fully provided for. During the year, the shareholders of the Company in their extraordinay general meeting held on 20 June 2023 approved to convert the outstanding amount of accrued mark up receivable from FEL into preference shares. Such conversion is subject to offer of the same from FEL and completion of necessary regulatory approvals which are pending.

**20.2** This represents the mark up accrued on advances disbursed to meet the working capital requirements, operational / capital nature needs of FTCL in prior year. This loan carried markup at the rate of average borrowing cost of the Company. The outstanding amount of advance of FTCL was converted into preference shares in last year and the closing balance represented markup accrued was fully provided for.

**20.3** This represents advances disbursed to Pak Arab Energy Limited to meet the working capital requirements, operational / capital nature needs. The loan carries mark up at the rate of average borrowing cost of the Company. Effective mark up rate charge by the Company during the year ranges from 16.85% to 23.54% per anum (2022: 9% to 15.81% per anum). Balance of advance and the related markup has been fully provided for being doubtful of recovery.

**20.4** Maximum outstanding balance with reference to month end balances:

| | 2023 Month | 2022 Month | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| Pak Arab Energy Limited | Jun-23 | Jun-22 | 25,904,160 | 25,904,160 |
| Fatima Transmission Company Limited | Jun-23 | May-22 | 13,748,696 | 127,956,533 |
| Fatima Energy Limited | Jun-23 | Mar-22 | 307,129,396 | 3,342,077,112 |

**20.5** The movement in loss allowance of long term advance and markup accrued is as follows.

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Balance as at 01 July | 346,782,252 | 25,904,160 |
| Loss allowance for the year | - | 320,878,092 |
| Balance as at 30 June | 346,782,252 | 346,782,252 |

This represents loss allowance against the amount due from FEL, FTCL and Pak Arab amounting to Rs. 307.12 million, Rs. 13.78 million and Rs. 25.90 million respectively. The said advance and mark up have been provided for in accordance with the requirement of IFRS 09.

| 21 Stores, spares and loose tools | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Stores | 344,873,710 | 234,074,319 |
| Spares [ In-transit: Rs. 215.77 million (2022: Rs. 18.34 million)] | 1,087,533,307 | 575,975,283 |
| Loose tools | 709,180 | 490,338 |
| | 1,433,116,197 | 810,539,940 |
| Provision for slow moving items | (3,215,560) | (3,215,560) |
| | 1,429,900,637 | 807,324,380 |

| 22 Stock-in-trade | | | |
|---|---|---|---|
| Raw material [In-transit: Rs. 6,504.06 million (2022: Rs. 4,740.17 million)] | | 19,782,907,185 | 17,348,358,879 |
| Work-in-process | | 855,950,907 | 774,506,142 |
| Finished goods [In-transit: Rs. 60.38 million (2022: Rs. 48.02 million)] | | | |
| Yarn | *22.2* | 8,751,475,267 | 6,768,346,295 |
| Fabric | | 1,343,506,985 | 1,681,220,716 |
| Waste | | 584,317,630 | 240,523,680 |
| | | 10,679,299,882 | 8,690,090,691 |
| | | 31,318,157,974 | 26,812,955,712 |

**22.1** It includes stock amounting to Rs. 10.63 billion pledged as security against borrowings from banking companies.

**22.2** An amount of Rs. 24.17 million (2022: Rs. 112.45) has been charged in the statement of profit or loss, on closing stock of greige fabric and yarn, as an adjustment of net realizable value (NRV) in accordance with the requirements of IAS 2.

| 23 | Trade debts | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| | *Export debtors - secured against letters of credit:* | | | |
| | Considered good | | **4,562,862,554** | 1,671,549,444 |
| | *Local debtors - unsecured* | | | |
| | Related Parties - considered good | 23.1 & 23.2 | **1,406,000,009** | 118,614,910 |
| | Others - considered good | | **5,399,758,207** | 5,478,225,501 |
| | Others - considered doubtful | | **52,304,917** | 71,913,874 |
| | | | **6,858,063,133** | 5,668,754,285 |
| | Loss allowance against trade debts | 23.4 | **(52,304,917)** | (71,913,874) |
| | | | **11,368,620,770** | 7,268,389,855 |

**23.1** Trade debts due from following related parties on account of trading activities.

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Ahmad Fine Textile Mills Limited | **1,290,652,180** | 86,891,062 |
| Reliance Weaving Mills Limited | **115,347,829** | 31,723,848 |
| | **1,406,000,009** | 118,614,910 |

**23.2** Maximum outstanding balance with reference to month end balances:

| | 2023 Month | 2022 Month | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| Ahmad Fine Textile Mills Limited | **Jun-23** | **Jun-22** | **1,290,652,180** | 86,891,062 |
| Reliance Weaving Mills Limited | **Jun-23** | **Feb-22** | **115,347,828** | 58,375,418 |

**23.3** The ageing analysis of trade debts from related parties is as follows:

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Not yet due | | **905,327,961** | 105,142,914 |
| 1 to 30 days | | **500,641,690** | 13,083,379 |
| 31 to 150 days | | **25,000** | 388,617 |
| 151 days and above | | **5,357** | - |
| | | **1,406,000,008** | 118,614,910 |

**23.4** The movement in loss allowance against trade debts is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance as at 01 July | **71,913,874** | 24,559,349 |
| (Reversal) / loss allowance for the year | **(19,608,957)** | 47,354,525 |
| Balance as at 30 June | **52,304,917** | 71,913,874 |

## 24 Advance and other receivables

<u>*Considered good*</u>

| | Note | 2023 | 2022 |
|---|---|---|---|
| Advances to suppliers and contractors - unsecured | 24.1 | **201,393,737** | 329,029,713 |
| Advances to employees against salaries - secured | | **8,672,956** | 5,037,464 |
| Advance against Investment in term finance certificates | | - | 40,000,000 |
| LC deposits for imports | | **8,284,766** | 26,218,539 |
| | | **218,351,459** | 400,285,716 |

**24.1** These are interest free in the normal course of business.

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **25** | **Deposits, prepayments and other receivable** | | | |
| | Deposits against LC/guarantee margin | | **400,411,044** | 78,807,478 |
| | Prepayments | | **48,154** | 280,144 |
| | Import claim receivable | | **196,181,060** | 101,785,878 |
| | Other receivable | | **4,852,497** | 5,494,996 |
| | | | **601,492,755** | 186,368,496 |
| **26** | **Mark-up accrued** | | | |
| | Mark-up accrued on: | | | |
| | Advance to associated company (Pak Arab) | | **19,152,918** | 14,220,057 |
| | Less: Loss allowance on markup accrued | *26.1* | **(19,152,918)** | (14,220,057) |
| | | | **-** | - |
| | Term finance certificates | *26.2* | **1,198,384** | - |
| | | | **1,198,384** | - |

**26.1** This represents loss allowance on markup balance of advance to Associated Company (Pak Arab Energy Limited) in accordance with the requirements of IFRS 9. Mark-up is accrued on the basis as described in note 20.3 of these financial statements.

**26.2** Mark-up is accrued on the basis as described in note 19.7 of these financial statements.

| | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **27** | **Short term investment** | | |
| | ***Investment at fair value through profit or loss*** | | |
| | *Fatima Fertilizer Company Limited - quoted*<br>*6,120,000 (2022: 6,120,000) fully paid ordinary shares of Rs. 10 each*<br>*Equity held 0.29% (2022: 0.29%) Market value per share*<br>*Rs.29.81 (2022: Rs. 37.80)* | **182,437,200** | 231,336,000 |

**27.1** Movement in short term investment at fair value through profit or loss is as follows :

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Market value as at 01 July | **231,336,000** | 175,950,000 |
| Unrealized fair value (loss) / gain on re-measurement of investments | **(48,898,800)** | 55,386,000 |
| Market value as at 30 June | **182,437,200** | 231,336,000 |

**28 Cash and bank balances**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Cash in hand | | 46,610,665 | 16,899,542 |
| **Cash at banks** | | | |
| *Current accounts* | | | |
| - foreign curency | | 89,310,136 | 1,531,447 |
| - local curency | | 329,881,190 | 367,712,730 |
| | | 419,191,326 | 369,244,177 |
| - *Saving accounts* | 28.1 | 62,839,827 | 55,806 |
| | | 482,031,153 | 369,299,983 |
| | | 528,641,818 | 386,199,525 |

**28.1** Rate of interest and mark up on saving account is 0.15% to 19.81% (2022: 0.15% to 12.25%) per annum.

**29 Non-current assets held for sale**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Plant and machinery | 29.1 | - | 53,585,509 |

**29.1** The non- current asset held for sale was acquired as part of the amalgamation of Fazal Cloth Mills Limited and Imperial Textile Mills Limited and consists of property plant and equipment. During the year, the Company has disposed off a significant portion of its non-current assets held for sale having carrying value of Rs 45 million against sale proceeds of Rs. 53 million. The remaining assets having carrying value of Rs 9 million have been transferred to property, plant and equipment.

**30 Revenue from contract with customers - *net***

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Local:*** | | | |
| Yarn | | 52,475,740,577 | 30,685,815,158 |
| Fabric | | 11,848,378,570 | 5,142,771,564 |
| Waste | | 1,397,694,102 | 1,149,930,375 |
| Comber noil | | 1,651,500,723 | 908,548,085 |
| | | 67,373,313,972 | 37,887,065,182 |
| Cotton and other products | | 82,819,498 | 69,063,358 |
| | | 67,456,133,470 | 37,956,128,540 |
| Less: | | | |
| Sales return | | (497,111,720) | (198,684,712) |
| Sales tax | | (10,100,784,839) | (5,665,347,293) |
| | | (10,597,896,559) | (5,864,032,005) |
| Net local sales | | 56,858,236,911 | 32,092,096,535 |
| ***Indirect export:*** | | | |
| *Against Standard Purchase Order* | | | |
| Yarn | | - | 11,113,450,858 |
| Fabric | | - | 5,809,715,832 |
| | | - | 16,923,166,690 |
| *Export Facilitation Scheme (EFS) / Duty and Tax Remissions For Export (DTRE) :* | | | |
| - Yarn | | 4,554,218,418 | 1,964,716,896 |
| - Fabric | | 159,865,395 | - |
| | | 4,714,083,813 | 18,887,883,586 |
| Less: Sales return | | (16,807,690) | - |
| Less: Sales tax on SPO sales | | - | (2,430,755,887) |
| Less : Sales tax on DTRE sales | | - | (160,449,023) |
| | 30.1 | 4,697,276,123 | 16,296,678,676 |
| ***Export:*** | | | |
| Yarn | | 12,724,149,451 | 14,521,142,437 |
| Fabric | | 3,356,763,018 | 2,302,547,552 |
| Comber noil | | 75,291,376 | 193,796,378 |
| | | 16,156,203,845 | 17,017,486,367 |
| Less: | | | |
| Sales return | | (14,736,985) | - |
| | | 16,141,466,860 | 17,017,486,367 |
| Revenue from contracts with customers - net | | 77,696,979,894 | 65,406,261,578 |

**30.1** It includes sales made to direct exporters against Standard Purchase Order (SPOs) amounting to Rs. Nil (2022: Rs 14,492.41 million). Sales made under EFS and DTRE to a related party under S.R.O 957(1)/ 2021 dated 30 July 2021 and S.R.O 185(I)/ 2001 dated 21 March 2001 amounts to Rs. 3,992.29 million (2022: Rs. 860.45 million) and Nil (2022: Rs. 943.82 million) respectively.

**30.2** All revenue is recognized by the Company at a point in time.

## 31 Cost of sales

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Raw material consumed | *31.1* | **52,668,066,745** | 42,698,141,737 |
| Packing material consumed | | **903,612,732** | 742,982,684 |
| Salaries, wages and benefits | *31.2* | **3,172,254,208** | 3,146,830,392 |
| Freight outward charges | *31.3* | **695,857,394** | 1,113,025,456 |
| Travelling and conveyance | | **15,393,584** | 15,754,962 |
| Vehicle running and maintenance | | **46,550,732** | 25,202,975 |
| Power and fuel | | **6,666,813,812** | 4,789,357,160 |
| Stores and spares consumed | | **1,368,909,847** | 1,126,009,273 |
| Processing charges | | **324,562,386** | 626,266,958 |
| Repair and maintenance | | **55,762,866** | 50,418,313 |
| Insurance | | **145,617,704** | 118,174,991 |
| Depreciation on property, plant and equipment | *18.1.1* | **1,683,626,156** | 1,611,154,208 |
| Others | | **9,317,100** | 7,032,604 |
| | | **67,756,345,266** | 56,070,351,713 |
| *Work-in-process :* | | | |
| Balance at 01 July | | **774,506,142** | 501,212,180 |
| Balance at 30 June | | **(855,950,908)** | (774,506,142) |
| | | **(81,444,766)** | (273,293,962) |
| **Cost of goods manufactured** | | **67,674,900,500** | 55,797,057,751 |
| *Finished goods :* | | | |
| Balance at 01 July | | **8,690,090,690** | 3,416,104,612 |
| Finished goods purchased | | **1,742,157,952** | 3,650,589,051 |
| Balance at 30 June | | **(10,679,299,882)** | (8,690,090,690) |
| | | **(247,051,240)** | (1,623,397,027) |
| Cost of goods sold | | **67,427,849,259** | 54,173,660,724 |
| Cost of raw material sold | | **183,027,145** | 64,653,071 |
| | | **67,610,876,404** | 54,238,313,795 |

### 31.1 Raw material consumed

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Raw material as at 01 July | **17,348,358,879** | 11,553,085,484 |
| Purchases and expenses | **55,102,615,051** | 48,493,415,132 |
| | **72,450,973,930** | 60,046,500,616 |
| Raw material as at 30 June | **(13,278,846,782)** | (12,608,183,825) |
| Stock-in-transit | **(6,504,060,403)** | (4,740,175,054) |
| | **(19,782,907,185)** | (17,348,358,879) |
| | **52,668,066,745** | 42,698,141,737 |

31.2 These include Rs. 216.29 million (2022: Rs. 150.19 million) in respect of staff retirement benefits.

31.3 This represents freight on export sales amounting to Rs. 610.14 million (2022: Rs. 1,057.95 million) and freight on local sales amounting to Rs. 85.72 million (2022: Rs. 55.15 million).

## 32 Selling and distribution expenses

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| *Export sales:* | | | |
| Commission | | **241,752,046** | 282,688,773 |
| Export development surcharge | | **32,459,654** | 44,268,889 |
| Insurance | | **3,661,499** | 4,855,734 |
| *Local sales:* | | | |
| Commission | | **155,263,626** | 210,142,601 |
| Insurance | | **16,559,594** | 10,110,346 |
| Salaries and benefits - *marketing staff* | *32.1* | **47,387,236** | 39,946,102 |
| | | **497,083,655** | 592,012,445 |

32.1 These include Rs. 2.30 million (2022: Rs. 0.97 million) in respect of staff retirement benefits.

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## 33 Administrative expenses

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Salaries and benefits | 33.1 | **237,610,375** | 200,744,403 |
| Travelling and conveyance | 33.2 | **39,424,966** | 23,854,240 |
| Vehicle running and maintenance | | **59,227,389** | 39,430,418 |
| Rent, rates, taxes and fees | | **34,744,371** | 35,477,591 |
| Electricity, gas and water | | **15,603,418** | 30,470,224 |
| Entertainment/ guest house expenses | | **28,733,821** | 21,864,118 |
| Communication | | **21,982,581** | 18,512,720 |
| Printing and stationery | | **13,104,970** | 9,637,248 |
| Insurance | | **8,947,600** | 9,138,037 |
| Repair and maintenance | | **49,340,650** | 41,780,772 |
| Subscription/ advertisement | | **6,170,048** | 2,452,220 |
| Auditors' remuneration | 33.3 | **4,700,235** | 5,180,000 |
| Legal and professional charges | | **12,013,753** | 19,613,389 |
| Depreciation on property, plant and equipment | 18.1.1 | **69,376,062** | 52,978,901 |
| Others | | **14,766,438** | 10,044,464 |
| | | **615,746,677** | 521,178,745 |

**33.1** These include Rs. 11.20 million (2022: Rs. 7.19 million) in respect of staff retirement benefits.

**33.2** These include Directors' traveling expense of Rs. 18.69 million (2022: Rs. 9.16 million).

| **33.3 Auditors' remuneration** | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Annual Audit fee | | **3,424,200** | 3,980,000 |
| Half yearly review fee | | **945,000** | 868,965 |
| Out of pocket expenses | | **331,035** | 331,035 |
| | | **4,700,235** | 5,180,000 |

## 34 Other expenses

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Workers' Profit participation fund | 15.4 | **81,895,338** | 318,406,192 |
| Loss allowance on long term markup accrued | | - | 323,806,334 |
| Loss on derecognition of advance into preference shares | | - | 274,735,729 |
| Workers welfare fund | 15.5 | **31,200,712** | 128,060,725 |
| Unrealized loss on re-measurement of short term investments at fair value through profit or loss | 27.1 | **48,898,800** | - |
| Interest expense - GIDC | | - | 57,587,839 |
| Loss on disposal of property, plant and equipment | 18.2 | - | 41,059,318 |
| Loss allowance for the year - net | 23.4 | - | 47,354,525 |
| Bad debts written off | | **103,964** | 72,006 |
| Exchange loss - net | 34.1 | **2,497,916,905** | 380,323,790 |
| Donations | 34.2 | **17,899,964** | 17,199,755 |
| Sales tax receivable written off | | - | 205,995,249 |
| | | **2,677,915,683** | 1,794,601,462 |

**34.1** Breakup of exchange loss / (gain) is as follows:

| | 2023 | | |
|---|---|---|---|
| | **Realized Rupees** | **Unrealized Rupees** | **Total Rupees** |
| Exports | (225,516,890) | (26,302,851) | (251,819,741) |
| Imports | 2,278,417,150 | (25,938,474) | 2,252,478,676 |
| Foreign currency export finance | 423,265,272 | - | 423,265,272 |
| Foreign currency account | - | (10,269,717) | (10,269,717) |
| Forward contracts | 84,262,415 | - | 84,262,415 |
| | **2,560,427,947** | **(62,511,042)** | **2,497,916,905** |

| **34.2 Donations for the year have been given to:** | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Nishtar Hospital Multan | | - | 3,701,628 |
| Fazal Rehman Foundation | 34.2.1 | **3,680,979** | 2,645,500 |
| Taary Zameen Par | 34.2.2 | **3,771,010** | 1,856,360 |
| S.O.S Children Village Multan | | **972,500** | 945,000 |
| Al-Noor Special Children School Multan | | **750,000** | 600,000 |
| Welfare - Labour Staff | | **660,754** | - |
| Women Chamber Of Commerce And Industry Multan | | **500,000** | - |
| All Pakistan Textile Mills Association (The Flood Relief Activities) | | **2,000,000** | - |
| Fatimid Foundation | | **500,000** | - |
| Zubaida Fatima Memorial Hospital | | - | 300,000 |
| Others | 34.2.3 | **5,064,721** | 7,151,267 |
| | | **17,899,964** | 17,199,755 |

**34.2.1** Mr. Rehman Naseem Ahmad (Chief Executive Officer) and Mr. Naseem Ahmad (Chairman) are amongst the trustees of the Fazal Rehman Foundation.

**34.2.2** Mrs. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

**34.2.3** Others' includes donations paid to various institutions. The aggregate amount paid during the current year and last year to a single institution does not exceed Rs. 0.5 million.

## 35 Other income

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| ***Income from financial assets*** | | | |
| Dividend income | 35.1 | **241,899,109** | 241,899,109 |
| Mark-up on advance to FEL | | **-** | 196,509,130 |
| Mark-up on advance to associated undertaking | | **-** | 16,676,938 |
| Income on investment in TFC | | **8,063,410** | 798,478 |
| Gain on remeasurement of short term investment | | **-** | 55,386,000 |
| Reversal of loss allowance against trade debts | 23.4 | **19,608,957** | - |
| Liabilities written back | | **65,928,387** | - |
| | | **335,499,863** | 511,269,655 |
| ***From non-financial assets*** | | | |
| Scrap sales | | **29,529,467** | 49,987,047 |
| Gain on disposal of non-current asset held for sale | 29.1 | **8,540,162** | - |
| Gain on disposal of property, plant and equipment | 18.2 | **257,981** | - |
| | | **373,827,473** | 561,256,702 |

**35.1** This represents annual dividend for the year ended 31 December 2022 declared by Fatima Fertilizer Limited 'an associated undertaking'.

## 36 Share of loss from associates

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Share of loss from associated company | | | |
| - Fatima Electric Company Limited | | **5,539** | 6,066 |

## 37 Finance cost

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| *Mark-up based loans from conventional banks:* | | | |
| - Long term financing - secured | | **1,384,603,790** | 973,490,514 |
| - Short term borrowings - secured | | **2,495,912,016** | 1,246,621,622 |
| | | **3,880,515,806** | 2,220,112,136 |
| *Islamic mode of financing:* | | | |
| - Musharika - secured | | **635,670,621** | 301,745,607 |
| - Short term borrowings - secured | | **367,133,311** | 174,560,380 |
| | | **1,002,803,932** | 476,305,987 |
| Bank charges | | **93,254,764** | 96,169,146 |
| Interest on workers' profit participation fund | 15.4 | **87,016,487** | 119,364,888 |
| Markup on lease liability | | **10,780,873** | 10,708,497 |
| | | **5,074,371,862** | 2,922,660,654 |

## 38 Taxation

| | | 2023 | 2022 |
|---|---|---|---|
| Current | | | |
| - for the year | | **1,155,829,200** | 1,217,218,836 |
| - prior year | | **(64,564,237)** | (2,481,721) |
| | | **1,091,264,963** | 1,214,737,115 |
| Deferred | | | |
| - for the year | | **(626,511,762)** | 63,746,028 |
| - change in effective tax rate | | **543,959,627** | 10,007,228 |
| | | **(82,552,135)** | 73,753,256 |
| | | **1,008,712,828** | 1,288,490,371 |

38.1 During the year, the Company has opted under section 154(5) of the income tax ordinance 2001 not to be subject to final taxation in case of its exports.

During the year, tax under FTR represents tax on dividend which is treated as a full and final discharge of Company's tax liability in respect of income arising from such sources.

38.2 Numerical reconciliation between tax expense and accounting profit:

| | **2023** | 2022 |
|---|---|---|
| Profit before taxation | **1,594,807,547** | 5,898,745,113 |
| Applicable tax rate | **29%** | 29% |
| Tax at the applicable tax rate | **462,494,189** | 1,710,636,083 |
| *Tax effect of amounts that are:* | | |
| - Change in effective tax rate due to change in proration of local and export sales and super tax | **543,959,627** | 10,007,228 |
| - Difference between normal tax and minimum tax / final tax regime | **(33,865,875)** | (586,748,241) |
| - Effect of super tax @ 10% | **148,034,668** | 418,046,976 |
| - Effect of prior year tax | **(64,564,237)** | (2,481,721) |
| - Tax credit for minimum tax previously not recognised | **-** | (383,521,266) |
| - Deferred tax asset not recognized - net | **-** | 63,613,181 |
| - Permanent differences | **26,357,651** | 5,482,836 |
| - Others | **(73,703,195)** | 53,455,295 |
| | **1,008,712,828** | 1,288,490,371 |

## 39 Earnings per share - basic and diluted

### 39.1 Basic earnings per share

| | | **2023** | 2022 |
|---|---|---|---|
| Profit after taxation | ***Rupees*** | **586,094,719** | 4,610,254,742 |
| Weighted average number of ordinary shares | ***No. of shares*** | **30,000,000** | 30,000,000 |
| Earnings per share | ***Rupees*** | **19.54** | 153.68 |

### 39.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the current year as the Company has no such commitments.

## 40 Fair value measurement of financial instruments

### A. Accounting classifications and fair values

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

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

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

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

- 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 (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

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

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

| | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Fair value through Profit or loss | Fair value through OCI | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2023** | Rupees | | | | | | | | |
| ***Financial assets - measured at fair value*** | | | | | | | | | |
| Short term investment | - | 182,437,200 | - | - | 182,437,200 | 182,437,200 | - | - | 182,437,200 |
| Long term investments | - | 40,000,000 | 5,959,151,286 | - | 5,999,151,286 | 1,917,852,064 | - | 4,081,299,222 | 5,999,151,286 |
| ***Financial assets - measured at amortized cost*** | | | | | | | | | |
| Long term deposits | 25,540,293 | - | - | - | 25,540,293 | - | - | - | - |
| Trade debts | 11,368,620,770 | - | - | - | 11,368,620,770 | - | - | - | - |
| Deposits and other receivables | 601,444,601 | - | - | - | 601,444,601 | - | - | - | - |
| Mark-up accrued | 1,198,384 | - | - | - | 1,198,384 | - | - | - | - |
| Cash and bank balances | 528,641,818 | - | - | - | 528,641,818 | - | - | - | - |
| | 12,525,445,866 | 222,437,200 | 5,959,151,286 | - | 18,707,034,352 | 2,100,289,264 | - | 4,081,299,222 | 6,181,588,486 |
| ***Financial liabilities - measured at amortized cost*** | | | | | | | | | |
| Long term financing - *secured* | - | - | - | 15,955,756,784 | 15,955,756,784 | - | - | - | - |
| Long term musharika - *secured* | - | - | - | 3,900,558,770 | 3,900,558,770 | - | - | - | - |
| Trade and other payables | - | - | - | 6,408,245,087 | 6,408,245,087 | - | - | - | - |
| Unclaimed dividend | - | - | - | 22,551,264 | 22,551,264 | - | - | - | - |
| Short term borrowings - *secured* | - | - | - | 25,569,248,195 | 25,569,248,195 | - | - | - | - |
| Accrued mark-up | - | - | - | 1,274,680,630 | 1,274,680,630 | - | - | - | - |
| | - | - | - | 53,131,040,730 | 53,131,040,730 | - | - | - | - |

| | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Fair value through Profit or loss | Fair value through OCI | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | ---------- | ---------- | ---------- | ---------- | ---------- Rupees | ---------- | ---------- | ---------- | ---------- |
| <u>As at 30 June 2022</u> | | | | | | | | | |
| ***<u>Financial assets - measured at fair value</u>*** | | | | | | | | | |
| Short term investment | - | 231,336,000 | - | - | 231,336,000 | 231,336,000 | - | - | 231,336,000 |
| Long term investments | - | - | 7,484,725,782 | - | 7,484,725,782 | 2,381,174,372 | - | 5,103,551,410 | 7,484,725,782 |
| ***<u>Financial assets - measured at amortized cost</u>*** | | | | | | | | | |
| Long term deposits | 25,540,293 | - | - | - | 25,540,293 | - | - | - | - |
| Trade debts | 7,268,389,855 | - | - | - | 7,268,389,855 | - | - | | - |
| Deposits and other receivables | 186,088,352 | - | - | - | 186,088,352 | - | - | - | - |
| Advances for term finance certificate | 40,000,000 | - | - | - | 40,000,000 | - | - | - | - |
| Mark-up accrued | - | - | - | - | - | - | - | - | - |
| Cash and bank balances | 386,199,525 | - | - | - | 386,199,525 | - | - | - | - |
| | 7,906,218,025 | 231,336,000 | 7,484,725,782 | - | 15,622,279,807 | 2,612,510,372 | - | 5,103,551,410 | 7,716,061,782 |
| ***<u>Financial liabilities - measured at amortized cost</u>*** | | | | | | | | | |
| Long term financing - secured | - | - | - | 15,256,170,060 | 15,256,170,060 | - | - | - | - |
| Long term musharika - secured | - | - | - | 3,249,385,843 | 3,249,385,843 | - | - | - | - |
| Trade and other payables | - | - | - | 5,793,763,950 | 5,793,763,950 | - | - | - | - |
| Unclaimed dividend | - | - | - | 21,213,835 | 21,213,835 | - | - | - | - |
| Short term borrowings - secured | - | - | - | 15,370,774,156 | 15,370,774,156 | - | - | - | - |
| Accrued mark-up | - | - | - | 551,182,285 | 551,182,285 | - | - | - | - |
| | - | - | - | 40,242,490,129 | 40,242,490,129 | - | - | - | - |

40.1 **Fair value measurement of financial instruments**

**B. Measurement of fair values**

***I. Valuation techniques and significant unobservable inputs***

The following table shows valuation techniques used in measuring Level 3 fair values for financial instruments of financial position, as well as the significant unobservable inputs used. Related valuation process have been described below:

Financial instruments measured at fair value

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Long term investments - *Ordinary and preference shares*<br>- Fatima Energy Limited | Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using risk-adjusted discount rate. | - Expected cash flows: Rs. nil to Rs. 31,771 'million (2022: Rs. nil to 44,758).<br>- Risk-adjusted discount rate including specific risk premium: 30.57% (2022: 20.95%). | The estimated fair value would increase (decrease) if:<br>- the expected cash flows were higher (lower); or<br>- the risk-adjusted discount rate were lower (higher). |
| Long term investments - preference shares<br>- Fatima Transmission Company Limited | Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using risk-adjusted discount rate.. | - Expected cash flows: Rs. nil to Rs. 474 million (2022: nil to Rs 300 million).<br>- Risk-adjusted discount rate including specific risk premium: 22.42% (2022: 19.88%). | - the expected cash flows were higher (lower); or<br>- the risk-adjusted discount rate were lower (higher) |
| Long term investments<br>- Multan Real Estate (Private) Limited | Market comparison technique: The valuation is based on market multiples derived from comparable investments/properties, adjusted for the effect of non-marketability of the equity securities. | - Adjusted market multiple. | The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower). |

*II. Level 3 recurring fair values*

Reconciliation of Level 3 fair values

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

| | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|
| **Long term investments - under income approach (FEL + FTCL)** | | |
| Balance at 01 July | 4,841,154,328 | 720,195,000 |
| Additions | - | 3,195,297,916 |
| Fair value (loss)/gain recognized in Statement of Comprehensive Income | (1,075,976,866) | 925,661,412 |
| Balance as at 30 June | 3,765,177,462 | 4,841,154,328 |
| **Long term investments - under market comparison technique (MREL)** | | |
| Balance at 01 July | 262,397,082 | 36,693,860 |
| Additions | - | 155,127,195 |
| Fair value gain recognised in Statement of Comprehensive Income | 53,724,678 | 70,576,027 |
| Balance as at 30 June | 316,121,760 | 262,397,082 |

**Sensitivity analysis**

The effect of changes in the unobservable inputs used in the fair value of long term investment in Multan Real Estate (Private) Limited cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented. For the fair value of long term investment in Fatima Energy Limited and Fatima Transmission Company Limited, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Long term investments | | | Long term investments | | |
| | Change in assumption | Increase in assumption | Decrease in assumption | Change in assumption | Increase in assumption | Decrease in assumption |
| **As at 30 June 2023** | Percentage | ---------- Rupees ---------- | | Percentage | ---------- Rupees ---------- | |
| Expected cash flows (Discounted) | 10.00% | 124,169,227 | (124,169,227) | 10.00% | 122,367,259 | (122,367,259) |
| Risk adjusted discount rate | 1.00% | (107,595,096) | 120,490,606 | 1.00% | (106,248,071) | 118,981,373 |

40.2 **Fair value measurement of property, plant and equipment**

Freehold land, buildings on freehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (Level 3) based on their assessment of market value as disclosed in note 7. The valuations are conducted by the valuation experts appointed by the company. The valuation experts used a market based approach to arrive at the fair value of the company's properties. This revaluation was carried out by Joseph Lobo (Private) Limited (Independent valuers). The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery and other assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a disclosure of sensitivity has not been presented in these financial statements.

## 41 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### 41.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over-sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Company's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

### 41.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are also secured, where possible, by way of letters of credit.

Total financial assets of Rs. 12,478.83 million (2022: Rs. 7,889.32 million) are subject to credit risk.

***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is:

| | **2023** | 2022 |
|---|---|---|
| | **Rupees** | Rupees |
| ***Financial assets at amortized cost*** | | |
| Trade debts | **11,368,620,770** | 7,268,389,855 |
| Bank balances | **482,031,153** | 369,299,983 |
| Deposits and other receivables | **601,444,601** | 186,088,352 |
| Advances for term finance certificate | **-** | 40,000,000 |
| Mark-up accrued | **1,198,384** | - |
| Long term deposits | **25,540,293** | 25,540,293 |
| | **12,478,835,201** | 7,889,318,483 |

### 41.2 (a) *Counterparties with external credit rating*

Credit risk is considered minimal since the counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

| Bank | Rating | | Rating agency | 2023 | 2022 |
|---|---|---|---|---|---|
| | Short term | Long term | | Rupees | Rupees |
| Allied Bank Limited | A-1+ | AAA | PACRA | **23,611,781** | 19,510,983 |
| National Bank of Pakistan | A-1+ | AAA | PACRA | **69,436,673** | 79,815,601 |
| MCB Bank Limited | A-1+ | AAA | PACRA | **770,952** | 3,465,686 |
| Meezan Bank Limited | A-1+ | AAA | JCR-VIS | **61,514,731** | 51,914,368 |
| UBL Bank Limited | A-1+ | AAA | JCR-VIS | **5,366,769** | 14,652,812 |
| Standard Chartered Bank Pakistan Limited | A-1+ | AAA | PACRA | **2,389,403** | 2,843,757 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | **11,055,676** | 57,630,442 |
| Soneri Bank Limited | A-1+ | AA- | PACRA | **5,749,332** | 2,598,850 |
| Bank Al Falah Limited | A-1+ | AA+ | JCR-VIS | **98,317,411** | 1,481,563 |
| Askari Bank Limited | A-1+ | AA+ | PACRA | **85,695,947** | 30,345,519 |
| The Bank of Punjab | A-1+ | AA+ | PACRA | **4,978,994** | 912 |
| The Bank of Khyber | A-1 | A+ | JCR-VIS | **30,355,299** | 1,421,887 |
| Bank Al Habib Limited | A-1+ | AAA | JCR-VIS | **66,414,647** | 38,719,330 |
| Bank Islamic Limited | A-1 | AA- | PACRA | **4,144,196** | 20,789,442 |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | JCR-VIS | **1,294,803** | 1,032,210 |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA | **3,993,678** | 16,523,895 |
| Faysal Bank Limited | A-1+ | AA | PACRA | **1,450,030** | 9,212,763 |
| Samba Bank Limited | A-1 | AAA | JCR-VIS | **1,259** | 4,859 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **73,295** | 73,295 |
| AlBaraka Bank Pakistan Limited | A-1 | A+ | JCR-VIS | **41,873** | 81,872 |
| Summit Bank Limited | A-1 | A+ | JCR-VIS | **1,488,455** | 1,461,219 |
| JS Bank Limited | A-1+ | AA- | PACRA | **3,738,389** | 1,650,004 |
| Industrial Commercial Bank of China | F1+ | A | Fitch | **147,560** | 14,068,714 |
| | | | | **482,031,153** | 369,299,983 |

### 41.2 (b) *Deposits against LC/guarantee margin*

| | | | | |
|---|---|---|---|---|
| Soneri Bank Limited | A-1+ | AA- | PACRA | **62,392,159** |
| JS Bank Limited | A-1+ | AA- | PACRA | **131,252,568** |
| Bank Al Habib Limited | A-1+ | AAA | JCR-VIS | **12,250,000** |
| Meezan Bank Limited | A-1+ | AAA | JCR-VIS | **9,614,599** |
| Bank Islamic Limited | A-1 | AA- | PACRA | **73,555,000** |
| Allied Bank Limited | A-1+ | AAA | PACRA | **6,433,102** |
| Faysal Bank Limited | A-1+ | AA | PACRA | **14,550,396** |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA | **85,532,500** |
| The Bank of Khyber | A-1 | A+ | JCR-VIS | **560,720** |
| Summit Bank Limited | A-1 | A+ | JCR-VIS | **4,270,000** |
| The Bank of Punjab | A-1+ | AA+ | PACRA | **-** |
| | | | | **400,411,044** |

### 41.2 (c) *Counterparties without external credit rating*

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used three years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. Out of total trade debts of Rs. 11,420.93 million (2022: Rs. 7,310.77 million), Rs. 4,562.86 million (2022: Rs. 1,671.55 million) are majorly secured against letter of credits. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2023 was determined as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Gross carrying amount | Loss Allowance | Gross carrying amount | Loss Allowance |
| The aging of trade debts at the reporting date is: | ---------- Rupees ---------- | | ---------- Rupees ---------- | |
| *Export debtors - secured* | | | | |
| Not past due | 4,562,862,554 | - | 1,671,549,444 | - |
| *Local debtors* | | | | |
| Not past due | **4,378,234,309** | **3,723,652** | 2,899,569,151 | 2,562,176 |
| Past due | | | | |
| 1- 90 days | **2,192,493,585** | **2,515,942** | 1,976,172,234 | 4,344,000 |
| 91 - 180 days | **229,920,348** | **5,377,561** | 696,176,551 | 12,977,142 |
| 181 - 270 days | **17,010,664** | **8,312,819** | 24,158,384 | 15,414,109 |
| 271 - 365 days | **17,010,664** | **10,686,885** | 24,158,384 | 20,790,086 |
| 366 - above days | **23,393,562** | **21,688,058** | 18,985,504 | 15,826,361 |
| | **11,420,925,687** | **52,304,917** | 7,310,769,652 | 71,913,874 |

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored and shipments to the export customers are generally covered by letters of credit or other form of credit insurance.

Credit risk on loans and advances and related markup accrued from related parties are measured under General Approach based on assessment of factors related to increase in significant risk and impairment at reporting date. These loans were given to related parties to meet their operational and financial needs after approval of shareholders and the board of directors after assessing the business case, financial vulnerability and credit worthiness. In the financial year 2022, the outstanding advances to FEL and FTCL have been converted into preference shares. Markup has not been converted into preference shares and based on assessment of factors related to credit risk under IFRS 09 have been provided for.

Other receivables and deposit are mostly from utility companies and insurance. Impairment on the assets has been measured on a 12 months expected credit loss basis and reflect the shortest maturities. Based on past experience the management believes that no impairment allowance is necessary in respect of these financial assets.

### 41.2 (d) Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect Companys of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties there-by mitigating any significant concentrations of credit risk.

## 41.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations/ commitments of the Company are restricted to the extent of available liquidity. In addition, the Company has obtained various short term facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

During the year, the Company was in non - compliance with some of the financial covenants (minimum debt service coverage ratio, interest coverage ratio and debt to EBITDA ratio) with long term facilities obtained from five banks. However, the Company has obtained relaxation / waiver from banks regarding aforementioned non - compliance before 30 June 23 which is valid for a period of next 12 months. The covenants are monitored on a regular basis by the treasury department and regularly reported to the management to ensure compliance with the agreements.

***Exposure to liquidity risk***

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

| | **Weighted average effective rate of interest** | **2023** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Carrying value** | **Contractual cash flows** | **Less than one year** | **One to five years** | **Above five years** | **Total** |
| | | **Rupees** | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Long term financing | **1.50% to 24.91%** | **19,856,315,554** | **30,748,971,976** | **6,178,883,467** | **19,276,090,233** | **5,293,998,276** | **30,748,971,976** |
| Short term borrowings | **1.75% to 23.57%** | **25,569,248,195** | **26,314,516,337** | **26,314,516,337** | **-** | **-** | **26,314,516,337** |
| Lease liability | | **74,103,042** | **133,711,864** | **11,692,304** | **59,690,374** | **62,329,186** | **133,711,864** |
| Trade and other payables | | **6,408,245,087** | **6,408,245,087** | **6,408,245,087** | **-** | **-** | **6,408,245,087** |
| Unclaimed dividend | | **22,551,264** | **22,551,264** | **22,551,264** | **-** | **-** | **22,551,264** |
| Accrued markup | | **1,274,680,630** | **1,274,680,630** | **1,274,680,630** | **-** | **-** | **1,274,680,630** |
| | | **53,205,143,772** | **64,902,677,158** | **40,210,569,089** | **19,335,780,607** | **5,356,327,462** | **64,902,677,158** |

| | Weighted average effective rate of interest | 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Carrying value | Contractual cash flows | Less than one year | One to five years | Above five years | Total |
| | | Rupees | | | | | |
| *Financial liabilities* | | | | | | | |
| Long term financing | 1.50% to 17.38% | 18,505,555,903 | 24,097,199,713 | 4,778,428,249 | 14,796,052,767 | 4,522,718,697 | 24,097,199,713 |
| Short term borrowings | 1.00% to 15.96% | 15,370,774,156 | 15,531,535,337 | 15,531,535,337 | - | - | 15,531,535,337 |
| Lease liability | | 73,951,536 | 144,341,230 | 10,629,366 | 54,263,976 | 79,447,888 | 144,341,230 |
| Trade and other payables | | 5,793,763,950 | 5,793,763,950 | 5,793,763,950 | - | - | 5,793,763,950 |
| Unclaimed dividend | | 21,213,835 | 21,213,835 | 21,213,835 | - | - | 21,213,835 |
| Accrued markup | | 551,182,285 | 551,182,285 | 551,182,285 | - | - | 551,182,285 |
| | | 40,316,441,665 | 46,139,236,350 | 26,686,753,022 | 14,850,316,743 | 4,602,166,585 | 46,139,236,350 |

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount.

41.4 **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 optimizing return. Market risk comprises of currency risk, interest rate risk and other price risk.

41.4.1 **Currency risk**

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings, sales and purchases and bank balances are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Euros and US dollars.

***Exposure to currency risk***

The Company's exposure to foreign currency risk at the reporting date is as follows:

| | 2023 | | |
|---|---|---|---|
| | **Total** | **USD to Rupees** | **EUR to Rupees** |
| ***Statement of financial position items*** | | | |
| Finance against imported merchandise | **197,929,160** | **197,929,160** | - |
| Foreign currency export finance | **752,424,702** | **752,424,702** | - |
| Bank balance | **(89,310,136)** | **(88,065,061)** | (1,245,075) |
| Foreign debtors | **(4,562,862,554)** | **(4,379,719,328)** | (183,143,226) |
| Exposure at reporting date | **(3,701,818,828)** | **(3,517,430,527)** | (184,388,301) |
| ***Off statement of financial position items*** | | | |
| Outstanding letters of credit | **4,928,257,464** | **4,928,257,464** | - |
| Commitments in respect of foreign exchange forward contracts | - | - | - |
| | **4,928,257,464** | **4,928,257,464** | - |

| | 2022 | | |
|---|---|---|---|
| ***Statement of financial position items*** | Total | USD to Rupees | EUR to Rupees |
| Finance against imported merchandise | 775,625,155 | 775,625,155 | - |
| Foreign currency export finance | 2,466,000,000 | 2,466,000,000 | - |
| Bank balance | (1,531,447) | (1,531,447) | - |
| Foreign debtors | (1,671,549,444) | (1,598,349,076) | (73,200,369) |
| Exposure at reporting date | 1,568,544,264 | 1,641,744,632 | (73,200,369) |
| ***Off statement of financial position items*** | | | |
| Outstanding letters of credit | 6,010,597,409 | 6,010,597,409 | - |
| Commitments in respect of foreign exchange forward contracts | 349,350,000 | 349,350,000 | - |
| | 6,359,947,409 | 6,359,947,409 | - |

The following significant exchange rate has been applied:
Average and spot rate

| | **Average rate** | | **Spot rate** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **Rupees** | | **Rupees** | |
| USD to Rupee | **252.12** | 179.64 | **286.59** | 206.52 |
| EUR to Rupee | **260.44** | 200.16 | **313.30** | 215.23 |

***Sensitivity analysis of on balance sheet items:***

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would increase / (decrease) by the amount shown below, mainly as a result of net foreign exchange loss on translation of on balane sheet items exposure in foreign currency as above.

| ***Effect on statement of profit or loss*** | **2023**<br>**Rupees** | 2022<br>Rupees |
|---|---|---|
| USD to Rupee | **(351,743,053)** | 164,174,463 |
| EUR to Rupee | **(18,438,830)** | (7,320,037) |

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the profits.

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

***Currency risk management***

Since the maximum amount exposed to currency risk is only 3.34% (2022: 1.79%) of the Company's total assets, any adverse/ favourable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

**41.4.2 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments is as follows:

| ***41.4.2 (a) Financial Instruments*** | **2023** | 2022 | **2023** | 2022 |
|---|---|---|---|---|
| | **Effective rate (in Percentage)** | | **Carrying amount (Rupees)** | |
| ***Financial liabilities*** | | | | |
| *Fixed rate instruments:* | | | | |
| Long term loan | **1.50 - 4.75** | 1.50 - 4.75 | **7,906,163,548** | 8,637,206,390 |
| *Variable rate instruments:* | | | | |
| Long term loan | **13.68 - 24.91** | 8.05 - 17.38 | **11,950,152,006** | 9,868,349,513 |
| Short term borrowings | **1.75 - 23.57** | 1.00 - 15.96 | **25,569,248,195** | 15,370,774,156 |
| | | | **37,519,400,201** | 25,239,123,669 |
| ***Financial assets*** | | | | |
| *Variable rate instruments:* | | | | |
| Saving accounts | **0.15 - 19.81** | 0.15 - 12.25 | **62,839,827** | 55,806 |

***41.4.2 (b) 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 statement of profit or loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

*41.4.2 (c) Cash flow sensitivity analysis for variable rate instruments*

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

| | Increase / (decrease) Profit or loss | |
|---|---|---|
| | **100 bps Increase** | 100 bps Decrease |
| | -------- Rupees -------- | |
| **As at 30 June 2023** | **(374,565,604)** | **374,565,604** |
| As at 30 June 2022 | (253,661,498) | 253,661,498 |

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

*41.4.2 (d) Interest rate risk management*

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter Bank Offer Rate ("KIBOR") as indicated in respective notes.

### 41.5 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to equity price risk because of investments held by the Company and classified on the statement of financial position at fair value through profit or loss and fair value through OCI. To manage its price risk arising from investments in ordinary and preference equity securities, the Company diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee.

***Sensitivity analysis***

The table below summarizes the Company's equity price risk as of 30 June 2023 and 30 June 2022 and shows the effects of a hypothetical 10% increase and a 10% decrease in fair values as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company's equity investment portfolio.

| | 2023 | | | |
|---|---|---|---|---|
| | **Fair value** | **Price change** | **Estimated fair value after change in prices** | **Increase (decrease) in profit or (loss)/ equity** |
| | -----Rupees----- | | | |
| Financial assets at fair value through profit or loss | **222,437,200** | **10% increase** | **244,680,920** | **22,243,720** |
| | | **10% decrease** | **200,193,480** | **(22,243,720)** |
| Financial assets at fair value through OCI | **5,959,151,286** | **10% increase** | **6,555,066,415** | **595,915,129** |
| | | **10% decrease** | **5,363,236,157** | **(595,915,129)** |
| | **6,181,588,486** | | | |

| | 2022 | | | |
|---|---|---|---|---|
| | Fair value | Price change | Estimated fair value after change in prices | Increase (decrease) in profit or (loss)/ equity |
| | -----Rupees----- | | | |
| Financial assets at fair value through profit or loss | 231,336,000 | 10% increase | 254,469,600 | 23,133,600 |
| | | 10% decrease | 208,202,400 | (23,133,600) |
| Financial assets at fair value through OCI | 7,484,725,782 | 10% increase | 8,233,198,360 | 748,472,578 |
| | | 10% decrease | 6,736,253,204 | (748,472,578) |
| | 7,716,061,782 | | | |

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### 41.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

## 42 Capital management

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio - calculated as a ratio of total debt to capital employed.

**42.1** Gearing ratio as at 30 June 2023 and as at 30 June 2022 are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **Rupees** | Rupees |
| Total debt | **46,911,234,734** | 34,628,545,804 |
| Total equity including revaluation surplus | **44,646,520,778** | 40,529,294,748 |
| Total capital employed | **91,557,755,512** | 75,157,840,552 |
| Gearing ratio | **51%** | 46% |

Total debt comprises of long term financing from conventional banks, long term musharika including current portion of long term financing, short term borrowings, accrued mark up and lease liability.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, commonly imposed by the providers of debt finance.

## 43 Reconciliation of movement of liabilities to cash flows arising from financing activities

| | 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Long term financing | Long term musharika | Short term borrowing | Lease liability | Unclaimed dividend | Accrued markup | Total |
| | Rupees | | | | | | |
| **Balance at 01 July 2022** | 15,256,170,060 | 3,376,467,767 | 14,311,881,680 | 73,951,536 | 21,213,835 | 551,182,285 | **33,590,867,163** |
| ***Changes from financing cash flows*** | | | | | | | |
| Proceeds from short term borrowings - *net* | - | - | 7,506,639,423 | - | - | - | **7,506,639,423** |
| Financial charges paid - *net* | - | - | - | - | - | (4,340,092,644) | **(4,340,092,644)** |
| Proceeds from long term financing | 2,988,820,348 | 1,454,206,302 | - | - | - | - | **4,443,026,650** |
| Long term financing repaid | (2,289,233,624) | (793,227,986) | - | - | - | - | **(3,082,461,610)** |
| Lease rentals paid | - | - | - | (10,629,367) | | | **(10,629,367)** |
| Dividend paid | - | - | - | - | (298,662,571) | - | **(298,662,571)** |
| **Total changes from financing cash flows** | **699,586,724** | **660,978,316** | **7,506,639,423** | **(10,629,367)** | **(298,662,571)** | **(4,340,092,644)** | **4,217,819,881** |
| ***Other changes*** | | | | | | | |
| Finance cost | - | - | - | 10,780,873 | - | 5,063,590,989 | **5,074,371,862** |
| Dividend declared | - | - | - | - | 300,000,000 | - | **300,000,000** |
| **Total liability related other changes** | - | - | - | 10,780,873 | 300,000,000 | 5,063,590,989 | **5,374,371,862** |
| **Balance at 30 June 2023** | **15,955,756,784** | **4,037,446,083** | **21,818,521,103** | **74,103,042** | **22,551,264** | **1,274,680,630** | **43,183,058,906** |

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Long term financing | Long term musharika | Short term borrowing | Lease liability | Unclaimed dividend | Accrued markup | Total |
| | Rupees | | | | | | |
| **Balance at 01 July 2021** | 13,730,468,142 | 2,627,600,636 | 5,189,219,815 | 72,906,099 | 18,946,571 | 299,113,187 | 21,938,254,450 |
| ***Changes from financing cash flows*** | | | | | | | |
| Proceeds from short term borrowings - *net* | - | - | 9,122,661,865 | - | - | - | 9,122,661,865 |
| Financial charges paid - *net* | - | - | - | - | - | (2,659,883,059) | (2,659,883,059) |
| Proceeds from long term financing | 4,574,380,960 | 1,512,406,447 | - | - | - | - | 6,086,787,407 |
| Long term financing repaid | (3,048,679,042) | (763,539,316) | - | - | - | - | (3,812,218,358) |
| Lease rentals paid | - | - | - | (9,663,060) | | | (9,663,060) |
| Dividend paid | - | - | - | - | (297,732,736) | - | (297,732,736) |
| **Total changes from financing cash flows** | 1,525,701,918 | 748,867,131 | 9,122,661,865 | (9,663,060) | (297,732,736) | (2,659,883,059) | 8,429,952,059 |
| ***Other changes*** | | | | | | | |
| Finance cost | - | - | - | 10,708,497 | - | 2,911,952,157 | 2,922,660,654 |
| Dividend declared | - | - | - | - | 300,000,000 | - | 300,000,000 |
| Total liability related other changes | - | - | - | 10,708,497 | 300,000,000 | 2,911,952,157 | 3,222,660,654 |
| **Balance at 30 June 2022** | 15,256,170,060 | 3,376,467,767 | 14,311,881,680 | 73,951,536 | 21,213,835 | 551,182,285 | 33,590,867,163 |

## 44 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits to the Chief Executive Officer and Directors and Executives of the Company are as follows:

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Chief Executive Officer** | **Directors** | **Executives** | **Total** | Chief Executive Officer | Directors | Executives | Total |
| | Rupees | | | | Rupees | | | |
| Managerial remuneration | **12,000,000** | **24,000,000** | **114,833,537** | **150,833,537** | 8,726,664 | 17,453,328 | 81,491,836 | 107,671,828 |
| House rent and utilities | **8,317,705** | - | **20,359,641** | **28,677,346** | 3,933,611 | - | 14,606,739 | 18,540,350 |
| Medical | **1,755,921** | - | **10,179,820** | **11,935,741** | 26,383 | - | 8,650,892 | 8,677,275 |
| Bonus paid | - | - | **12,580,851** | **12,580,851** | - | - | 11,117,136 | 11,117,136 |
| | **22,073,626** | **24,000,000** | **157,953,849** | **204,027,475** | 12,686,658 | 17,453,328 | 115,866,603 | 146,006,589 |
| Numbers | **1** | **8** | **50** | **59** | 1 | 8 | 36 | 45 |

**44.1** In addition to above, only two Non-Executive / Independent Directors were paid Rs. 1.48 million (2022: Rs. 1.00 million) as meeting fee. Further, out of total eight directors above only two are paid remuneration.

**44.2** Chief Executive Officer, directors and some of the executives are also provided with Company maintained cars and telephones at their residences for the Company business purposes.

**44.3** The contribution of employer towards the Gratuity for executive employee amounts to Rs. 20.354 million (2022: Rs. 18.33 million).

## 45 Number of employees

| | Production | |
|---|---|---|
| | **2023** | 2022 |
| | (Number) | |
| Total number of employees as at 30 June | **6,927** | 6,934 |
| Average number of employees during the year | **6,931** | 6,320 |

## 46 Related party transactions and balances

The related parties comprise of entities of same group, directors of the Company, key management personnel and post employment retirement plan. Amount due from and due to related parties are shown under respective notes. Other significant transactions and balances with related parties except those disclosed elsewhere are as follows:

| | Name of parties | Relationship | Transaction | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|---|
| a) | **Fatima Fertilizer Company Ltd** | Common Directorship and 3.29 % (2022: 3.29%) shareholding | Dividend Income | **241,899,109** | 241,899,109 |
| | | | Reimbursable expenses | **44,723** | 1,012,973 |
| | | | Sale of goods and services | - | 34,899 |
| | | | Payments against expenses | **4,857,269** | - |
| | | | Payment against purchase of shares - Pak Arab Fertlizer | - | 146,663,295 |
| b) | **Fatima Energy Limited** | Sponsor / Associated undertaking | Purchase of electricity | **4,642,152,419** | 1,914,678,287 |
| | | | Long term advances given | - | 203,336,590 |
| | | | Mark-up accrued on long term advance | - | 220,209,392 |
| | | | Payment against purchase of goods - net | **4,769,582,796** | 1,762,388,639 |
| | | | Preference shares issued on conversion of long term advance | - | 3,058,000,556 |
| c) | **Reliance Weaving Mills Limited** | Common Directorship | Purchase of goods | **4,789,620** | 96,091,503 |
| | | | Sale of goods | **443,926,265** | 224,561,943 |
| | | | Reimbersable expenses | - | 350,000 |
| | | | Receipts against sale of goods - net | **355,512,665** | 116,359,990 |
| d) | **Ahmed Fine Textile Mills Limited** | Common Directorship | Purchase of goods and services | **2,351,455,588** | 3,329,275,077 |
| | | | Sale and receipts against property, plant & equipment | - | 462,629,691 |
| | | | Sale of goods | **13,479,026,630** | 8,511,659,775 |
| | | | Receipts against sale of goods and services - net | **9,923,809,923** | 5,450,404,963 |
| e) | **Fazal-ur-Rehman Foundation** | Common Directorship/ Trustees | Donations | **3,680,979** | 2,645,500 |
| f) | **Fatima Transmission Company Limited** | Common Directorship | Long term advances given | - | 15,937,500 |
| | | | Mark up accrued on long term advances | - | 13,748,696 |
| | | | Preference shares issued on conversion of long term advance | - | 137,297,360 |
| g) | **Pak Arab Energy Limited** | Common Directorship | Mark-up accrued on long term advance | **4,932,861** | 2,928,242 |

| | Name of parties | Relationship | Transaction | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|---|
| h) | **Fazal Farm (Private) Limited** | Common Directorship | Purchase of goods | **11,820,425** | 7,670,750 |
| | | | Payment against purchase of goods - net | **11,820,425** | 7,670,750 |
| i) | **Taary Zameen Par Trust** | Common Directorship/ Trustees | Donations | **3,771,010** | 1,856,360 |
| j) | **Fatima Sugar Limited** | Common Directorship | Reimbersable expenses | **11,933** | - |
| | | | Payment against reimbersable expenses | **11,933** | - |
| k) | **Fazal Holding Limited** | Common Directorship | Dividend Paid | **73,520,410** | 73,520,410 |
| l) | **Key Management Personnel** | Key Management Personnel | Remuneration and other benefits | **54,473,769** | 38,632,534 |
| m) | **Directors** | Director | Dividend Paid | **68,330,200** | 68,330,200 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including Chief Executive Officer and Directors to be its key management personnel and these are disclosed below:

| Name | Relationship | % shareholding in the company | Number of shares |
|---|---|---|---|
| Mr. Rehman Naseem | CEO/Director/Key Management Personnel | 10.34% | 3,101,320 |
| Mr. Aamir Naseem Sheikh | Director/Key Management Personnel | 0.28% | 82,828 |
| Mr. Sheikh Naseem Ahmad | Director/Key Management Personnel | 0.03% | 8,820 |
| Mr. Muhammad Mukhtar Sheikh | Director/Key Management Personnel | 3.38% | 1,012,969 |
| Mr. Faisal Ahmed | Director/Key Management Personnel | 6.80% | 2,039,865 |
| Mr. Fahd Mukhtar | Director/Key Management Personnel | 1.93% | 579,715 |
| Mr. Babar Ali | Director/Key Management Personnel | 0.01% | 2,501 |
| Ms. Parveen Akhtar Malik | Director/Key Management Personnel | 0.01% | 2,501 |
| Mr. Masood Karim Shaikh | Director/Key Management Personnel | 0.01% | 2,501 |
| Mr. Muhammad Azam | Key Management Personnel | N/A | N/A |
| Mr. Azher Iqbal | Key Management Personnel | N/A | N/A |

Certain directors have provided personal guarantee agianst loan provided by the financial instituion to the Company (refer note 8, 9 and 13).

## 47 Segment reporting

### 47.1 Reportable segments

The management has determined the operating segments of the Company on the basis of products produced.

The Company's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibers
- Weaving segment - production of different qualities of fabric using yarn

Information regarding the Company's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

### 47.2 Information about reportable segments

| | Spinning | | Weaving | | Total | |
|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | Rupees | | | | | |
| External revenues | **63,953,533,628** | 53,666,283,421 | **13,743,446,266** | 11,739,978,157 | **77,696,979,894** | 65,406,261,578 |
| Intersegment revenues | **7,728,250,483** | 7,547,828,389 | **6,807,750** | 39,971,492 | **7,735,058,233** | 7,587,799,881 |
| Cost of sales | **(63,437,302,267)** | (51,011,722,077) | **(4,173,574,137)** | (3,226,591,718) | **(67,610,876,404)** | (54,238,313,795) |
| Intersegment cost of sales | **(6,807,750)** | (39,971,492) | **(7,728,250,483)** | (7,547,828,389) | **(7,735,058,233)** | (7,587,799,881) |
| Selling and distribution expense | **(403,266,095)** | (457,303,801) | **(93,817,560)** | (134,708,644) | **(497,083,655)** | (592,012,445) |
| Administrative expenses | **(549,689,657)** | (466,705,000) | **(66,057,020)** | (54,473,745) | **(615,746,677)** | (521,178,745) |
| Other expense | **(2,675,405,338)** | (1,884,733,941) | **(2,510,345)** | 90,132,479 | **(2,677,915,683)** | (1,794,601,462) |
| Other income | **364,464,800** | 561,256,702 | **9,362,673** | - | **373,827,473** | 561,256,702 |
| Finance cost | **(4,503,512,766)** | (2,669,823,627) | **(570,859,096)** | (252,837,027) | **(5,074,371,862)** | (2,922,660,654) |
| Profit before taxation | **470,265,038** | 5,245,108,574 | **1,124,548,048** | 653,642,605 | **1,594,813,086** | 5,898,751,179 |

**47.2.1** The accounting policies for disclosure of the reportable segments are the same as the Company's accounting policies described in note 4.21 to the financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

| 47.2.2 Reconciliation of reportable segment revenues and profits | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Total revenue from reportable segments | **85,432,038,127** | 72,994,061,459 |
| Elimination of inter segment revenue | **(7,735,058,233)** | (7,587,799,881) |
| | **77,696,979,894** | 65,406,261,578 |
| **Statement of profit or loss** | | |
| Total profit of reportable segments | **1,594,813,086** | 5,898,751,179 |
| Share of loss from associates | **(5,539)** | (6,066) |
| Taxation for the year | **(1,008,712,828)** | (1,288,490,371) |
| | **586,094,719** | 4,610,254,742 |

## 47.3 Segment assets and liabilities

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

| | Spinning | Weaving | Total |
|---|---|---|---|
| | ---------- Rupees ---------- | | |
| **For the year ended 30 June 2023** | | | |
| Segment assets for reportable segment | **80,087,343,656** | **5,493,445,144** | **85,580,788,800** |
| Unallocated corporate assets | - | - | **22,193,143,984** |
| **Total assets as per statement of financial position** | | | **107,773,932,784** |
| Segment liabilities for reportable segment | **11,562,081,706** | - | **11,562,081,706** |
| Unallocated corporate liabilities | - | - | **51,565,330,300** |
| **Total liabilities as per statement of financial position** | | | **63,127,412,006** |
| For the year ended 30 June 2022 | | | |
| Segment assets for reportable segment | 64,704,440,486 | 4,434,143,165 | 69,138,583,651 |
| Unallocated corporate assets | - | - | 18,404,318,773 |
| Total assets as per statement of financial position | | | 87,542,902,424 |
| Segment liabilities for reportable segment | 9,751,719,302 | 62,466,841 | 9,814,186,143 |
| Unallocated corporate liabilities | - | - | 37,199,421,533 |
| Total liabilities as per statement of financial position | | | 47,013,607,676 |

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

- all assets are held under unallocated corporate assets except property, plant and equipment, stores spares and loose tools, and stock in trade which are allocated to reportable segments; and
- all liabilities are held under unallocated corporate liabilities except for long term loans obtained specifically for spinning unit.

| **Other segment information** | Spinning | Weaving | Total |
|---|---|---|---|
| | ---------- Rupees ---------- | | |
| **For the year ended 30 June 2023** | | | |
| Capital expenditure | **5,280,236,076** | **78,439,714** | **5,358,675,790** |
| ***Depreciation*** | | | |
| Cost of sales | **1,529,629,869** | **153,996,287** | **1,683,626,156** |
| Administrative expenses | **67,354,858** | **2,021,204** | **69,376,062** |
| | **1,596,984,727** | **156,017,491** | **1,753,002,218** |
| For the year ended 30 June 2022 | | | |
| Capital expenditure | 4,931,296,107 | 55,716,267 | 4,987,012,374 |
| *Depreciation* | | | |
| Cost of sales | 1,452,429,169 | 158,725,039 | 1,611,154,208 |
| Administrative expenses | 50,957,697 | 2,021,204 | 52,978,901 |
| | 1,503,386,866 | 160,746,243 | 1,664,133,109 |

## 48 Geographical information

The Company operates in one principal geographical area. The Company's gross revenue from external customers by geographical location is detailed below:

| | Note | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|---|
| Domestic Sales | *30* | **56,858,236,911** | 32,092,096,535 |
| Export Sales | *29 & 47.1* | **20,838,742,983** | 33,314,165,043 |
| | | **77,696,979,894** | 65,406,261,578 |

**48.1** Country wise export sales are as under

| | Note | 2023 | 2022 |
|---|---|---|---|
| China | | **4,133,260,630** | 5,453,511,182 |
| America | | **3,021,549,212** | 4,394,347,208 |
| Portugal | | **1,203,005,500** | 1,480,525,075 |
| Turkey | | **878,758,719** | 1,169,394,760 |
| Hong Kong | | **240,108,342** | 111,982,920 |
| Germany | | **591,277,453** | 330,390,692 |
| Italy | | **1,088,488,139** | 494,618,433 |
| Japan | | **205,524,475** | 146,620,682 |
| Bangladesh | | **1,358,737,622** | 962,830,961 |
| Singapore | | **741,782,952** | 580,975,942 |
| Switzerland | | **604,675,544** | 755,547,656 |
| Colombia | | **848,542,335** | 463,267,168 |
| Tunisia | | **258,527,158** | 197,287,335 |
| Kenya | | **53,466,938** | - |
| Belgium | | **183,202,428** | 114,130,514 |
| Malaysia | | **147,810,884** | 70,916,026 |
| Others | | **582,748,530** | 291,139,813 |
| Indirect exports | *30.1* | **4,697,276,122** | 16,296,678,676 |
| | | **20,838,742,983** | 33,314,165,043 |

**48.1.1** All export sales during the year other than indirect are secured against letter of credit.

## 49 Capacity and production

**Spinning:**

| | | 2023 | 2022 |
|---|---|---|---|
| Number of spindles installed | | **274,524** | 274,524 |
| Number of rotors and MVS spindles installed | | **5,412** | 5,412 |
| *Number of shifts worked* | | **1,094** | 1,094 |
| Number of spindles - *shifts worked* | | **300,329,256** | 300,329,256 |
| Capacity at 20's count | *Kgs.* | **127,222,563** | 127,222,563 |
| Actual production of all counts | *Kgs.* | **95,847,459** | 100,859,557 |
| Actual production converted into 20's count | *Kgs.* | **135,283,157** | 131,799,292 |

Capacity disclosed is estimated in 20's count however it is difficult to describe precisely the production capacity in spinning mills since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

| Weaving: | | 2023 | 2022 |
|---|---|---|---|
| Number of looms installed | | **224** | 224 |
| Number of looms worked | | **224** | 224 |
| Number of shifts worked | | **1,094** | 1,094 |
| Standard cloth production | Mtr. | **45,749,602** | 48,963,833 |
| Actual cloth production | Mtr. | **42,391,581** | 45,369,887 |

Capacity of weaving has not been disclosed as it is difficult to describe precisely the production capacity in weaving mills since it fluctuates widely depending on various factors such as count of yarn weaved, loom speed, reed change and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

## 50 Non adjusting event after statement of financial position date

The Board of Directors of the Company in their meeting held on 30 Sep 2023 has proposed a final cash dividend of Rs. NIL per share (2022: Rs. 10 per share) for the year ended 30 June 2023 for approval of the members in the Annual General Meeting to be held on 28 Oct 2023.

## 51 Date of authorization for issue

These financial statements were authorized for issue on 30 Sep 2023 by the Board of Directors of the Company.

The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by two directors.

## 52 General

Figures have been rounded off to the nearest Rupee, except stated otherwise.

Lahore | Director | Director | Chief Financial Officer

## Pattern of Shareholding
### As at June 30, 2023

| No. of Shareholders | Shareholdings | Total Shares Held |
|---|---|---|
| 756 | Shareholdings from 1 to 100 | 16,591 |
| 350 | Shareholdings from 101 to 500 | 96,206 |
| 109 | Shareholdings from 501 to 1000 | 83,419 |
| 121 | Shareholdings from 1001 to 5000 | 260,818 |
| 21 | Shareholdings from 5001 to 10000 | 141,646 |
| 6 | Shareholdings from 10001 to 15000 | 70,477 |
| 2 | Shareholdings from 15001 to 20000 | 32,881 |
| 1 | Shareholdings from 20001 to 25000 | 21,384 |
| 3 | Shareholdings from 40001 to 45000 | 132,368 |
| 1 | Shareholdings from 45001 to 50000 | 48,208 |
| 1 | Shareholdings from 55001 to 60000 | 59,804 |
| 1 | Shareholdings from 60001 to 65000 | 64,300 |
| 1 | Shareholdings from 80001 to 85000 | 82,828 |
| 1 | Shareholdings from 130001 to 135000 | 132,191 |
| 1 | Shareholdings from 160001 to 165000 | 161,680 |
| 1 | Shareholdings from 295001 to 300000 | 300,000 |
| 3 | Shareholdings from 390001 to 395000 | 1,176,847 |
| 3 | Shareholdings from 535001 to 540000 | 1,605,037 |
| 3 | Shareholdings from 670001 to 675000 | 2,024,102 |
| 2 | Shareholdings from 1010001 to 1015000 | 2,022,355 |
| 1 | Shareholdings from 1310001 to 1315000 | 1,312,476 |
| 1 | Shareholdings from 1410001 to 1415000 | 1,414,139 |
| 1 | Shareholdings from 1420001 to 1425000 | 1,421,638 |
| 1 | Shareholdings from 1765001 to 1770000 | 1,768,488 |
| 2 | Shareholdings from 1995001 to 2000000 | 3,993,810 |
| 1 | Shareholdings from 2415001 to 2420000 | 2,415,422 |
| 1 | Shareholdings from 3100001 to 3105000 | 3,101,320 |
| 1 | Shareholdings from 6035001 to 6040000 | 6,039,565 |
| **1,396** | | **30,000,000** |

| Categories of Shareholders | Shares Held |
|---|---|
| Directors, Chief Executive, Spouses & Minor Children | 6,837,467 |
| Associated Companies, Undertakings And Related Parties | 19,935,276 |
| NIT & ICP | 1,768,951 |
| Banks, Development Financial Institutions, Non-Banking Finance Companies | 170,322 |
| Mutual Funds | 13,006 |
| Individuals | 1,203,090 |
| Joint Stock Companies | 71,888 |
| | **30,000,000** |

## Detail of Pattern Of Shareholding as at June 30, 2023

| Categories of shareholders | Number of Shares | Percentage |
|---|---|---|
| **DIRECTORS, CHIEF EXECUTIVE, SPOUSES & MINOR CHILDREN** | | |
| Sheikh Naseem Ahmad | 8,820 | 0.0294% |
| Mr. Amir Naseem Sheikh | 82,828 | 0.2761% |
| Mrs. Mahnaz Amir Sheikh (Spouse) | 4,447 | 0.0148% |
| Mr. Rehman Naseem | 3,101,320 | 10.3377% |
| Mr. Faisal Ahmed Mukhtar | 2,039,865 | 6.7996% |
| Mr. Muhammad Mukhtar Sheikh | 1,012,969 | 3.3766% |
| Mr. Fahd Mukhtar | 579,715 | 1.9324% |
| Ms. Parveen Akhter Malik | 2,501 | 0.0083% |
| Mr. Masood Karim Sheikh | 2,501 | 0.0083% |
| Mr. Babar Ali | 2,501 | 0.0083% |
| | **6,837,467** | **22.47%** |
| **ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES** | | |
| Mr. Abbas Mukhtar | 536,206 | 1.79% |
| Mr. Abdullah Amir Fazal | 1,414,139 | 4.71% |
| Mr. Ali Mukhtar | 536,207 | 1.79% |
| Mr. Asad Muhammad Sheikh | 1,012,970 | 3.38% |
| Mr. Ibrahim Mukhtar | 675,895 | 2.25% |
| Mr. Mohid Mohammad Ahmed | 675,895 | 2.25% |
| Mr. Muhammad Fazeel Mukhtar | 675,895 | 2.25% |
| Mr. Muhammad Yousaf Amir | 1,421,643 | 4.74% |
| Fawad Ahmed Mukhtar | 2,415,422 | 8.05% |
| Fazal Ahmed Sheikh | 2,041,611 | 6.81% |
| Farrukh Trading Company Limited | 392,282 | 1.31% |
| Fatima Holding Limited | 5 | 0.00% |
| Fatima Management Company Limited | 392,282 | 1.31% |
| Fatima Trading Company (Pvt.) Limited | 392,283 | 1.31% |
| Fazal Holdings (Pvt.) Limited | 7,352,041 | 24.51% |
| Reliance Commodities (Pvt) Ltd | 500 | 0.00% |
| | **19,935,276** | **66.46%** |
| **NIT & ICP** | | |
| CDC - Trustee National Investment (Unit) Trust | 1,768,488 | 5.89% |
| IDBL (ICP Unit) | 463 | 0.00% |
| | **1,768,951** | **5.89%** |
| **BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE COMPANIES** | | |
| Industrial Development Bank Limited | 613 | 0.00% |
| United Bank Limited | 788 | 0.00% |
| Escorts Investment Bank Limited | 196 | 0.00% |
| National Bank Of Pakistan | 993 | 0.00% |
| Trustee National Bank Of Pakistan Employees Pension Fund | 161,680 | 0.54% |
| The Trustee, Ghulaman-E-Abbas Educational & Medical Trust | 379 | 0.00% |
| Trustee National Bank Of Pakistan Emp Benevolent Fund Trust | 5,673 | 0.02% |
| | **170,322** | **0.56%** |
| **MUTUAL FUNDS** | | |
| CDC - Trustee AKD Opportunity Fund | 600 | 0.00% |
| CDC - Trustee Golden Arrow Stock Fund | 12,406 | 0.04% |
| | **13,006** | **0.04%** |
| **INDIVIDUALS** | | |
| Local | 1,203,090 | 4.01% |
| Foreign | 0 | 0.00% |
| | **1,203,090** | **4.01%** |
| **JOINT STOCK COMPANIES** | | |
| Freedom Enterprises (Pvt) Ltd | 6,309 | 0.02% |
| Fazal Vegetable Ghee Mills Ltd | 7,689 | 0.03% |
| Fateh Textile Mills Limited | 258 | 0.00% |
| Molasses Trading & Export Co. Ltd. | 135 | 0.00% |
| Khoja (Pirhai) Shia Isna Ashari Jamat | 2,602 | 0.01% |
| Naeems Securities (Pvt) Ltd | 763 | 0.00% |
| Sarfraz Mahmood (Private) Ltd | 100 | 0.00% |
| H M Investments (Pvt) Limited | 45 | 0.00% |
| Akram Cotton Mills Limited | 10 | 0.00% |
| Maple Leaf Capital Limited | 1 | 0.00% |
| Deputy Administrator Abandoned Properties Organization | 48,208 | 0.16% |
| Fikrees (Private) Limited | 1,668 | 0.01% |
| Creative Capital Securities (Private) Limited - MF | 4,100 | 0.01% |
| | **71,888** | **0.24%** |
| | **30,000,000** | **100.00%** |
| **SHAREHOLDERS HOLDING 10 % OR MORE** | | |
| Fazal Holdings Pvt Ltd (Associated Company) | 7,352,041 | 24.51% |
| Mr. Rehman Naseem | 3,101,320 | 10.34% |
| | **10,453,361** | **34.85%** |