

**MASOOD TEXTILE MILLS LIMITED**

**mtm**

**ACCOUNTS  
FOR THE SECOND QUARTER ENDED  
31 DECEMBER 2018**

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# COMPANY INFORMATION

<b>CHAIRMAN</b>	: MR. NASEER AHMAD SHAH
<b>CHIEF EXECUTIVE OFFICER</b>	: MR. SHAHID NAZIR AHMAD
<b>DIRECTORS</b>	: MR. MATLOOB HUSSAIN : MR. FAZAL AHMAD : MR. SHOAIB AHMAD KHAN (Nominee-NIT) : MISS CHEN YAN (Nominee-Shanghai Challenge Textile Co. Ltd) : MR. SHIBIN YANG (Nominee-Shanghai Challenge Textile Co. Ltd)
<b>COMPANY SECRETARY</b>	: MR. NISAR AHMAD ALVI
<b>CHIEF FINANCIAL OFFICER</b>	: MR. MUHAMMAD SHAHID NAVEED
<b>AUDIT COMMITTEE</b>	: MR. FAZAL AHMAD (Chairman) : MR. NASEER AHMAD SHAH : MR. MATLOOB HUSSAIN
<b>HR &amp; REMUNERATION COMMITTEE</b>	: MR. MATLOOB HUSSAIN (Chairman) : MR. SHAHID NAZIR AHMAD : MR. FAZAL AHMAD
<b>AUDITORS</b>	: M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
<b>SHARE REGISTRAR</b>	: ORIENT SOFTWARE & MANAGEMENT SERVICES (PVT) LIMITED 35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL, COMMERCIAL CENTRE, MADINA TOWN, FAISALABAD. PHONE: 041-8711930-8715759 FAX: 041-8711930
<b>REGISTERED OFFICE</b>	: UNIVERSAL HOUSE, P-17/1, NEW CIVIL LINES, BILAL ROAD, FAISALABAD. PHONE: 041-2600176-276 FAX: 041-2600976
<b>MILLS</b>	: 32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

## **DIRECTORS' REPORT TO THE MEMBERS**

The Directors of the Company are pleased to present the un-audited financial statements of the Company for the 2nd quarter ended 31 December, 2018 along with consolidated Half Yearly results with the comparative figures of the previous corresponding period.

Your company showed stable performance during the half year ended by 31 December 2018. Total revenue of the company increased from Rupees 12,635 million to Rupees 15,706 million during the half year ended by 31 December 2018 as compared to corresponding period of previous year. During the period under review, your company recorded a net profit of Rupees 535.478 million (EPS: Rupees 7.72 per share), compared to net profit of Rupees 449.459 million (EPS: Rupees 6.47 per share) in the corresponding period.

No doubt, Pakistani textile industry considered as the backbone of the export sector is facing new issues which should be dealt promptly. The textile industry crumbling under high input prices, struck up refunds and tight monetary policy is facing tough competition from India, Bangladesh, Vietnam, Thailand and other states in the foreign market. Therefore, the government should take serious initiatives to safeguard local industry which is the highest foreign exchange earner and largest urban employment provider. There is a dire need to increase in cotton production by enhancement of cotton cultivation, increase credit allocation to the industrial sector and release of liquidity lying pending on account of sales tax and duty drawback of taxes should be processed expeditiously to augment a turnaround in the industrial productivity. Government is endeavoring to resolve problems confronted by textile sector on top priority bases and many steps has taken to achieve the ease of doing the business including reduction/abolish of super tax, tax on undistributed profit, gas and RLNG prices etc. Government has identified textile as a key priority area.

However, the management is committed for continuous performance improvement through better planning, marketing, by winning customer confidence, product development and innovation, improved capacity utilization, better utilization of resource and supply chain management to keep costs low. The management abled to reap rewards of its BMR expansion. Management is of the view that this will enable the company to cater the demands of its customers in better way and hence contribute to the overall performance of the Company in the coming years. The management is hopeful for the further improvement in the performance of the Company in the long run.

The Board is pleased about the efforts of the management, staff and workers whose cooperation and support enabled the company to attain constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the employees of the company.

**FOR AND ON BEHALF OF THE BOARD**

FAISALABAD:  
27 February, 2019

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## ڈائریکٹرز رپورٹ برائے ممبران

کمپنی کے ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر ششماہی کے نتائج بشمول پچھلی اسی مدت کے تقابلی اعداد و شمار کے ساتھ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

آپ کی کمپنی نے 31 دسمبر 2018 کو اختتام پذیر ہونے والی ششماہی کے دوران مستحکم کارکردگی کا مظاہرہ کیا ہے۔ کمپنی کی کل آمدن 12,635 ملین روپے سے بڑھ کر 15,706 ملین روپے ہو گئی ہے جو 31 دسمبر 2018 کو اختتام ہونے والی پچھلی اسی مدت سے زیادہ ہے۔ زیر جائزہ اسی مدت کے دوران آپ کی کمپنی نے ریکارڈ خالص منافع 535.478 ملین روپے (فی حصص کمائی 7.72 روپے) کمایا ہے۔ جو پچھلی اسی مدت کے دوران خالص منافع 449.459 ملین روپے (فی حصص کمائی 6.47 روپے) تھا۔ کوئی شک نہیں کہ پاکستانی ٹیکسٹائل صنعت جو کہ برآمدات کی ریزھ کی ہڈی کی حیثیت رکھتی ہے کو نئے مسائل کا سامنا ہے۔ جن سے فوری طور پر نمٹنے کی ضرورت ہے۔

ٹیکسٹائل انڈسٹری میں اس پلٹ کی قیمتوں میں اضافہ، روکے ہوئے بقایا اجات اور سخت مالیاتی پالیسی کی وجہ سے غیر ملکی مارکیٹ میں بھارت، بنگلہ دیش، ویت نام، تھائی لینڈ اور دیگر ریاستوں سے سخت مقابلے کا سامنا ہے۔ لہذا، حکومت کو مقامی صنعت جو کہ سب سے زیادہ غیر ملکی کرنسی کمانے والے اور بڑے پیمانے پر شہری ملازمتوں کو فراہم کرنے والی ہے، کی حفاظت کے لئے سنجیدہ اقدامات اٹھانے چاہئے۔ کپاس کی بوائی کو دو گنا کر کے کپاس کی پیداوار میں اضافے کی اشد ضرورت ہے۔ صنعتی شعبے میں مختص کرڈٹ میں اضافے، سیلز ٹیکس اور ڈیوٹی ٹیکسوں کی واپسی کی منتقلی اور صنعتی پیداوار میں تبدیلی کا عمل بھی تیز کرنے کی ضرورت ہے۔ حکومت ٹیکسٹائل کے شعبے میں مسائل کو ترجیحی بنیادوں پر حل کر رہی ہے۔ جس میں کاروبار کو آسانی سے چلنے کے لئے سپر ٹیکس، غیر تقسیم شدہ منافع پرنیکس کے خاتمے، گیس اور RLNG کی قیمتوں میں کمی شامل ہیں۔ حکومت ٹیکسٹائل سیکٹور کو درپیش مشکلات کے خاتمے کے لئے ترجیحی بنیادوں پر کوشاں ہے۔

تاہم انتظامیہ بہتر منصوبہ بندی، مارکیٹنگ، کسٹمر کا اعتماد حاصل کرنے، مصنوعات کی ترقی اور جدت، بہتر صلاحیت کا استعمال، وسائل کا بہترین استعمال اور سپلائی چین مینجمنٹ سے اخراجات کو کم رکھتے ہوئے کارکردگی کو بہتر کرنے کے لئے پرعزم ہے۔ انتظامیہ اس بی۔ ایم۔ آر کی توسیع کا فائدہ اٹھانے کے قابل ہوگی ہے، انتظامیہ کا خیال ہے کمپنی اپنے گاہکوں کے مطالبات کو بہتر طریقے سے پورا کرنے میں مدد دے گی، اور اسی وجہ سے آنے والے سالوں میں کمپنی کی مجموعی کارکردگی کو بہتر بنائے گی۔ انتظامیہ پر امید ہے کہ کمپنی کی کارکردگی آنے والے دنوں میں مزید بہتر ہوگی۔

بورڈ انتظامیہ، عملے اور کارکنوں کو کوششوں جن کے تعاون اور حمایت سے کمپنی مسلسل بہتری حاصل کرنے میں کامیاب ہوئی ہے اس پر اظہار مسرت کرتے ہیں۔ زیر جائزہ مدت میں انتظامیہ اور ملازمین میں تعلقات ہموار رہے۔ اور ہم کمپنی کے ملازمین کی مستقل کاوشوں اور انتھک محنت کو مانتے ہیں۔

از طرف بورڈ

# **INDEPENDENT AUDITORS' REVIEW REPORT**

**To the members of Masood Textile Mills Limited**

**Report on review of Condensed Interim Financial Statements**

## **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of MASOOD TEXTILE MILLS LIMITED ("the Company") as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to condensed interim financial statements for the six-month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six-month period ended 31 December 2018.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

## **RIAZ AHMAD & COMPANY**

Chartered Accountants

Date: 27 February, 2019

FAISALABAD

# MASOOD TEXTILE MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Un-audited 31 Dec 2018	Audited 30 June 2018
<b>(RUPEES IN THOUSAND)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
125 000 000 (30 June 2018: 125 000 000) ordinary shares of Rupees 10 each		1,250,000	1,250,000
60 000 000 (30 June 2018: 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		<u>1,850,000</u>	<u>1,850,000</u>
<b>Issued, subscribed and paid up share capital</b>		986,666	986,666
<b>Capital reserves</b>			
Share premium		1,375,000	1,375,000
Redemption fund		128,333	128,333
Surplus on revaluation of freehold land		900,234	900,234
<b>Revenue reserves</b>		7,347,174	6,945,641
<b>Total Equity</b>		<u>10,737,407</u>	<u>10,335,874</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	3	4,272,234	4,650,568
Liabilities against assets subject to finance lease		25,050	6,816
Deferred liability for gratuity		797,077	724,353
		5,094,361	5,381,737
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,824,629	2,676,834
Unclaimed dividend		33,250	10,813
Accrued mark-up		222,573	191,768
Short term borrowings		14,368,231	11,962,878
Current portion of non-current liabilities		1,447,456	1,469,563
Provision for taxation		149,856	191,531
		<u>20,045,995</u>	<u>16,503,387</u>
<b>TOTAL LIABILITIES</b>		25,140,356	21,885,124
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	4	<u>35,877,763</u>	<u>32,220,998</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	10,402,290	10,028,337
Long term advances		904	1,814
Long term security deposits		63,115	47,110
		<u>10,466,309</u>	<u>10,077,261</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		1,849,151	1,579,156
Stock-in-trade		7,529,221	5,810,871
Trade debts		10,098,700	9,276,084
Loans and advances		337,432	380,772
Short term deposits and prepayments		1,024,459	939,770
Other receivables		3,960,172	3,536,704
Cash and bank balances		612,319	620,380
		<u>25,411,454</u>	<u>22,143,737</u>
<b>TOTAL ASSETS</b>		<u>35,877,763</u>	<u>32,220,998</u>

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

## Statement under section 232(1) of the Companies Act, 2017:

The Chief Executive Officer of the Company is presently out of the country. Therefore, these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	----- (RUPEES IN THOUSAND) -----			
REVENUE	15,706,141	12,634,536	9,309,892	6,916,302
COST OF SALES	(13,979,315)	(10,829,537)	(8,554,739)	(5,986,625)
GROSS PROFIT	<u>1,726,826</u>	<u>1,804,999</u>	<u>755,153</u>	<u>929,677</u>
DISTRIBUTION COST	(1,225,054)	(847,970)	(720,789)	(467,383)
ADMINISTRATIVE EXPENSES	(343,783)	(255,790)	(207,155)	(133,967)
OTHER EXPENSES	(36,182)	(23,761)	(20,422)	(22,239)
OTHER INCOME	1,107,338	300,738	899,562	245,493
FINANCE COST	(543,811)	(410,494)	(293,058)	(210,893)
PROFIT BEFORE TAXATION	<u>685,334</u>	<u>567,722</u>	<u>413,291</u>	<u>340,688</u>
TAXATION	(149,856)	(118,263)	(79,410)	(63,079)
PROFIT AFTER TAXATION	<u>535,478</u>	<u>449,459</u>	<u>333,881</u>	<u>277,609</u>
EARNINGS PER SHARE - BASIC (RUPEES)	<u>7.72</u>	<u>6.47</u>	<u>4.84</u>	<u>4.02</u>
- DILUTED (RUPEES)	<u>7.27</u>	<u>6.10</u>	<u>4.56</u>	<u>3.79</u>

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore, these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

# MASOOD TEXTILE MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

(UN-AUDITED)

	Half Year Ended		Quarter Ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	----- (RUPEES IN THOUSAND) -----			
PROFIT AFTER TAXATION	535,478	449,459	333,881	277,609
OTHER COMPREHENSIVE INCOME				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>535,478</u>	<u>449,459</u>	<u>333,881</u>	<u>277,609</u>

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

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\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

(RUPEES IN THOUSAND)

	RESERVES								TOTAL EQUITY	
	CAPITAL				REVENUE					
	Share Premium	Redemption Fund	Surplus on Revaluation of Freehold Land	Sub Total	General	Unappropriated Profit	Sub Total	Total		
Balance as at 30 June 2017 (Audited)	986,666	1,375,000	128,333	900,234	2,403,567	714,500	5,242,866	5,957,366	8,360,933	9,347,599
Transaction with owners:										
Dividend at the rate of Rupees 1.75 per share (Ordinary shares)	-	-	-	-	-	-	(118,125)	(118,125)	(118,125)	(118,125)
Dividend at the rate of Rupees 0.81 per share (Preference shares)	-	-	-	-	-	-	(25,470)	(25,470)	(25,470)	(25,470)
Profit for the half year ended 31 December 2017	-	-	-	-	-	-	449,459	449,459	449,459	449,459
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	-	-	-	-	449,459	449,459	449,459	449,459
Balance as at 31 December (Un-Audited)	986,666	1,375,000	128,333	900,234	2,403,567	714,500	5,548,730	6,263,230	8,666,797	9,653,463
Profit for the half year ended 30 June 2018	-	-	-	-	-	-	663,590	663,590	663,590	663,590
Other comprehensive income for the half year ended 30 June 2018	-	-	-	-	-	-	18,821	18,821	18,821	18,821
Total comprehensive income for the half year ended 30 June 2018	-	-	-	-	-	-	682,411	682,411	682,411	682,411
Balance as at 30 June 2018 (Audited)	986,666	1,375,000	128,333	900,234	2,403,567	714,500	6,231,141	6,945,641	9,349,208	10,335,874
Adjustment on adoption of IFRS 15 (Note 2.3.2)	-	-	-	-	-	-	(7,201)	(7,201)	(7,201)	(7,201)
Adjusted total equity as at 01 July 2018	986,666	1,375,000	128,333	900,234	2,403,567	714,500	6,223,940	6,938,440	9,342,007	10,328,673
Transaction with owners:										
Dividend at the rate of Rupees 1.50 per share (Ordinary shares)	-	-	-	-	-	-	(101,250)	(101,250)	(101,250)	(101,250)
Dividend at the rate of Rupees 0.82 per share (Preference shares)	-	-	-	-	-	-	(25,494)	(25,494)	(25,494)	(25,494)
Profit for the half year ended 31 December 2018	-	-	-	-	-	-	535,478	535,478	535,478	535,478
Other comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	-	535,478	535,478	535,478	535,478
Balance as at 31 Dec 2018 (Un-audited)	986,666	1,375,000	128,333	900,234	2,403,567	714,500	6,632,674	7,347,174	9,750,741	10,737,407

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

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\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

	Note	Half Year Ended	
		31 Dec 2018	31 Dec 2017
		(RUPEES IN THOUSAND)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	6	(429,683)	(697,951)
Finance cost paid		(513,006)	(353,346)
Income tax paid		(155,556)	(134,550)
Dividend paid to ordinary shareholders		(78,813)	(116,807)
Dividend paid to preference shareholders		(25,494)	(25,470)
Gratuity paid		(50,933)	(37,146)
Net decrease in long term advances		910	8,008
Net increase in long term security deposits		(16,005)	(2,801)
<b>Net cash used in operating activities</b>		(1,268,580)	(1,360,063)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		24,180	42,568
Capital expenditure on property, plant and equipment		(759,695)	(1,626,726)
<b>Net cash used in investing activities</b>		(735,515)	(1,584,158)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		570,679	648,247
Repayment of long term financing		(970,405)	(324,622)
Repayment of liabilities against assets subject to finance lease		(9,593)	(20,251)
Short term borrowings-net		2,405,353	2,573,860
<b>Net cash from financing activities</b>		1,996,034	2,877,234
		(8,061)	(66,987)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		620,380	902,816
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		612,319	835,829

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore, these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

**MASOOD TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**  
**(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATIONS**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

**a) Statement of compliance**

- i) These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

-International Accounting Standard (IAS) 34 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and  
-Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- ii) These condensed interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2018. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and section 237 of the Companies Act, 2017. The figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed by the statutory auditors of the Company, as they have reviewed the accumulated figures for the half years ended 31 December 2018 and 31 December 2017.

**b. Accounting policies and computation methods**

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2018, except for the changes in accounting policies as stated in note 2.3 to these condensed interim financial statements.

## **2.2 Accounting estimates, judgments and financial risk management**

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended 30 June 2018.

## **2.3 Changes in accounting policies due to applicability of certain International Financial Reporting Standards (IFRSs)**

Following changes in accounting policies have taken place effective from 01 July 2018:

### **2.3.1 IFRS 9 'Financial Instruments'**

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt instrument shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'Expected Credit Loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using a lifetime expected loss allowance is available.

## Key changes in accounting policies resulting from application of IFRS 9

### i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, Fair Value Through Profit or Loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVTOCI).

#### Classification

From 01 July 2018, in compliance with the requirements of this IFRS in these condensed interim financial statements, the category for financial assets i.e. 'loans and receivables' has been changed to 'at amortised cost'. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

#### Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

### ii) Impairment

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected life time losses to be recognised from initial recognition of the receivables.

### iii) Impacts of adoption of IFRS 9 on these condensed interim financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

#### Financial assets – (01 July 2018)

	Loans and receivables	Amortised cost
	(RUPEES IN THOUSAND)	
Opening balance	10,113,516	-
<b>Adjustments due to adoption of IFRS 9:</b>		
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortised Cost'	(10,113,516)	10,113,516
	<u>-</u>	<u>10,113,516</u>

### 2.3.2 IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

#### i) Key changes in accounting policies resulting from application of IFRS 15

The Company recognises revenue as follows:

##### **Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

##### **a) Sale of goods**

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Otherwise, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

#### b) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

#### c) Interest

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

#### d) Other revenue

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

### ii) Impacts of adoption of IFRS 15 on these condensed interim financial statements as on 01 July 2018

Following adjustments were made to the amounts recognized in these condensed interim financial statements at 01 July 2018.

#### Statement of financial position

	30 June 2018	Adjustment	01 July 2018
	Reported		Restated
RUPEES IN THOUSAND			
<b>Current assets</b>			
Stock in trade	5,810,871	50,930	5,861,801
Trade debts	9,276,084	(58,510)	9,217,574
<b>Current liabilities</b>			
Trade and other payables	2,676,834	(379)	2,676,455
<b>Equity</b>			
Reserves	6,945,641	(7,201)	6,938,440

#### 2.3.3 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Un-audited 31 Dec 2018	Audited 30 June 2018
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(RUPEES IN THOUSAND)

### 3. LONG TERM FINANCING - SECURED

Opening balance	6,105,246	5,776,320
Add: Obtained during the period / year	570,679	1,044,867
Less: Repaid during the period / year	<u>970,405</u>	<u>715,941</u>
	5,705,520	6,105,246
Less: Current portion shown under current liabilities	<u>1,433,286</u>	<u>1,454,678</u>
	<u>4,272,234</u>	<u>4,650,568</u>

### 4. CONTINGENCIES AND COMMITMENTS

#### a) Contingencies

- i) Guarantees of Rupees 292.995 million (30 June 2018: Rupees 244.995 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Total Parco Pakistan Limited against fuel cards.
- ii) The Company has challenged, before Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1) / 2011 dated 31 December 2011, claim of input sales tax in respect of packing material has been disallowed. Lahore High Court, Lahore has issued stay order in favour of the Company on 18 January 2017. Consequently, the Company has accounted for input sales tax amounting to Rupees 151.862 million (30 June 2018: Rupees 151.862 million) paid on such items as receivable balance. The Company is confident on positive outcome of the appeal, on the advice of legal counsel.
- iii) Provision for Gas Infrastructure Development Cess (GIDC) and cost of supply charges thereon amounting to Rupees 23.035 million (2018: Rupees 9.429 million) and Rupees 24.017 million (2018: Rupees 20.118 million) respectively for the period from November 2017 have not been recognized in the books of account as the Company has obtained stay orders from Lahore High Court, Lahore on 15 November 2017 and from Islamabad High Court, Islamabad on 15 December 2017. Post dated cheques amounting to Rupees 21.494 million (2018: Rupees 7.413 million) are issued to SNGPL against GIDC. Company is confident of favorable outcome of the matter, on the advice of legal counsel.

#### b) Commitments

- i) Contracts for capital expenditure are amounting to Rupees 272.538 million (30 June 2018: Rupees 267.754 million ) and other than capital expenditure are amounting to Rupees 805.894 million (30 June 2018: Rupees 830.887 million).
- ii) Ijarah (operating lease) commitments amounting to Rupees 68.837 million (30 June 2018: Rupees 71.063 million).

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	9,912,140	9,282,929
Assets subject to finance lease (Note 5.2)	63,001	59,848
Capital work-in-progress	<u>427,149</u>	<u>685,560</u>
	<u>10,402,290</u>	<u>10,028,337</u>

#### 5.1 Operating fixed assets

Opening book value	9,282,929	7,796,407
Cost of additions during the period / year (Note 5.1.1)	1,018,106	2,197,924
Book value of assets transferred from assets subject to finance lease	<u>18,718</u>	<u>40,211</u>
	10,319,753	10,034,542
Less: Book value of deletions during the period/year (Note 5.1.2)	<u>17,909</u>	<u>67,426</u>
	10,301,844	9,967,116
Less: Depreciation charged during the period / year	<u>389,704</u>	<u>684,187</u>
Closing book value	<u>9,912,140</u>	<u>9,282,929</u>

	<b>Un-audited</b> <b>31 Dec</b> <b>2018</b>	<b>Audited</b> <b>30 June</b> <b>2018</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>5.1.1 Cost of additions during the period / year</b>		
Buildings on freehold land	219,239	208,839
Plant and machinery	661,460	1,690,672
Electric and gas installations	73,077	139,342
Factory equipment	5,622	13,670
Telephone installations	1,190	673
Furniture and fixtures	17,736	79,320
Office equipment	153	598
Computer equipment	10,670	39,027
Vehicles	28,959	25,783
	<u>1,018,106</u>	<u>2,197,924</u>
<b>5.1.2 Book value of deletions during the period / year</b>		
Buildings on freehold land	330	28,086
Plant and machinery	-	19,887
Electric and gas installations	3,604	6,971
Furniture and fixtures	8,616	-
Computer equipment	315	22
Vehicles	5,044	12,460
	<u>17,909</u>	<u>67,426</u>
<b>5.2 Assets subject to finance lease</b>		
Opening book value	59,848	108,022
Add: Additions / transfer during the period / year - Vehicles	27,112	-
	86,960	108,022
Less: Book value of assets transferred to operating fixed assets (Note 5.2.1)	18,718	40,211
	68,242	67,811
Less: Depreciation charged during the period / year	5,241	7,963
Closing book value	<u>63,001</u>	<u>59,848</u>
<b>5.2.1 Book value of assets transferred to operating fixed assets</b>		
Plant and machinery	18,718	36,184
Vehicles	-	4,027
	<u>18,718</u>	<u>40,211</u>

(Un-audited)

<b>Half Year Ended</b>	
<b>31 Dec 2018</b>	<b>31 Dec 2017</b>

**(RUPEES IN THOUSAND)**

**6. CASH USED IN OPERATIONS**

Profit before taxation	685,334	567,722
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	394,945	319,114
Provision for gratuity	121,726	104,542
(Gain) / loss on sale of property, plant and equipment	(6,271)	17,913
Finance cost	543,811	410,494
Working capital changes (Note 6.1)	(2,169,228)	(2,117,736)
	<u>(429,683)</u>	<u>(697,951)</u>

(Un-audited)

Half Year Ended	
31 Dec 2018	31 Dec 2017

(RUPEES IN THOUSAND)

## 6.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools	(269,995)	(60,872)
Stock in trade	(1,667,420)	(1,032,371)
Trade debts	(881,126)	(1,092,820)
Loans and advances	43,340	(85,020)
Short term deposits and prepayments	(120,664)	(100,191)
Other receivables	(423,468)	508,028
	(3,319,333)	(1,863,246)
Increase / (decrease) in trade and other payables	1,150,105	(254,490)
	<u>(2,169,228)</u>	<u>(2,117,736)</u>

## 7. SEGMENT INFORMATION

## 7.1 Segment results

Spinning		Knitting		Processing and Garments		Elimination of Inter-Segment Transactions		Total-Company	
(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017

(RUPEES IN THOUSAND)

Revenue

External	738,746	601,362	90,475	69,108	14,876,920	11,964,066	-	-	15,706,141	12,634,536
Intersegment	1,015,327	945,883	6,630,409	4,889,588	10,491	9,239	(7,656,227)	(5,844,710)	-	-
	1,754,073	1,547,245	6,720,884	4,958,696	14,887,411	11,973,305	(7,656,227)	(5,844,710)	15,706,141	12,634,536
Cost of sales	(1,699,525)	(1,503,076)	(6,533,154)	(4,791,103)	(13,402,863)	(10,380,068)	7,656,227	5,844,710	(13,979,315)	(10,829,537)
Gross profit	54,548	44,169	187,730	167,593	1,484,548	1,593,237	-	-	1,726,826	1,804,999
Distribution cost	(23,084)	(19,898)	(78,675)	(63,312)	(1,123,295)	(764,760)	-	-	(1,225,054)	(847,970)
Administrative expenses	(19,990)	(15,949)	(63,718)	(51,570)	(260,075)	(188,271)	-	-	(343,783)	(255,790)
	(43,074)	(35,847)	(142,393)	(114,882)	(1,383,370)	(953,031)	-	-	(1,568,837)	(1,103,760)

Profit before taxation and unallocated income and expenses

	11,474	8,322	45,337	52,711	101,178	640,206	-	-	157,989	701,239
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Unallocated income and expenses:

Other expenses									(36,182)	(23,761)
Other income									1,107,338	300,738
Finance cost									(543,811)	(410,494)
Taxation									(149,856)	(118,263)
Profit after taxation									<u>535,478</u>	<u>449,459</u>

## 7.2 Reconciliation of reportable segment assets and liabilities:

Spinning		Knitting		Processing and Garments		Total-Company	
Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018

----- (RUPEES IN THOUSAND) -----

<b>Total assets for reportable segments</b>	2,005,806	1,613,093	2,839,880	2,590,938	14,934,976	13,224,089	19,780,662	17,428,120
Unallocated assets							16,097,101	14,792,878
Total assets as per statement of financial position							35,877,763	32,220,998
<b>Total liabilities for reportable segments</b>	119,720	109,893	1,197,441	562,085	3,560,368	2,933,614	4,877,529	3,605,592
Unallocated liabilities							20,262,827	18,279,532
Total liabilities as per statement of financial position							25,140,356	21,885,124

Spinning		Knitting		Processing and Garments		Total-Company	
(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
Half year ended							
31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017

----- (RUPEES IN THOUSAND) -----

## 7.3 Segment wise and geographical location wise disaggregation of revenue

America and Canada	-	-	-	-	8,371,230	5,919,046	8,371,230	5,919,046
Europe	-	-	-	-	5,172,082	3,629,463	5,172,082	3,629,463
Asia, Africa and Australia	130,838	163,948	-	-	615,484	1,107,480	746,322	1,271,428
Pakistan	607,908	437,414	90,475	69,108	718,124	1,308,077	1,416,507	1,814,599
	738,746	601,362	90,475	69,108	14,876,920	11,964,066	15,706,141	12,634,536

## 8. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated company, other related parties and key management personal. The company in the normal course of business carries out transaction with various related parties. Detail of transactions with related parties are as follows:

Un-audited			
Half Year Ended		Quarter Ended	
31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017

----- (RUPEES IN THOUSAND) -----

### i) Transactions

#### Associated company

Dividend paid		-	30,444	-	30,444
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#### Other related parties

Dividend paid		2,485	2,899	2,485	2,899
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Remuneration paid to Chief Executive Officer, Directors and Executives		76,680	64,838	38,819	34,064
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## 9. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on 27 February, 2019.

## 10. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

## 11. GENERAL

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

### **Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements has been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

# **BOOK POST**

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