

**MASOOD TEXTILE MILLS LIMITED**



**ACCOUNTS  
FOR THE THIRD QUARTER ENDED  
31 MARCH 2019**

# CONTENTS

	Page
COMPANY INFORMATION	1
DIRECTORS' REPORT TO THE MEMBERS	2-3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF PROFIT OR LOSS	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOWS	8
NOTES TO THE INTERIM FINANCIAL STATEMENTS	9-20

## COMPANY INFORMATION

<b>CHAIRMAN</b>	: MR. NASEER AHMAD SHAH
<b>CHIEF EXECUTIVE OFFICER</b>	: MR. SHAHID NAZIR AHMAD
<b>DIRECTORS</b>	: MR. SHABIR AHMAD ABID (Independent Director) : MR. SHAHID IQBAL (Independent Director) : 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. SHABIR AHMAD ABID (Chairman) : MR. NASEER AHMAD SHAH : MR. SHAHID IQBAL
<b>HR &amp; REMUNERATION COMMITTEE</b>	: MR. SHAHID IQBAL (Chairman) : MR. SHAHID NAZIR AHMAD : MR. SHABIR AHMAD ABID
<b>AUDITORS</b>	: M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
<b>SHARE REGISTRAR</b>	: CORPTEC ASSOCIATES (PVT.) LIMITED 503-E, JOHAR TOWN, LAHORE <u>TEL:042-35170336-7 FAX: 042-35170338</u> <u>WEB: <a href="http://www.corptec.com.pk">www.corptec.com.pk</a></u>
<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 have pleasure in submitting their Report together with the un-audited financial statements of the Company for the nine months' period ended March 31, 2019.

The gross profit for the third quarter ended 31 March 2019 was increased from Rupees 894.040 million to Rupees 1,535.970 million as compared to corresponding quarter of the last year. Gross profit margin for the third quarter increased from 12.27% to 15.64%. Total sales for the third quarter ended and nine months ended reflected a growth of 34.81 % and 28.15% respectively over the last corresponding periods. During the nine months ended 31 March 2019, profit after tax increased from Rupees 721.791 million to Rupees 874.422 million as compared to corresponding period of last year. The earnings per share for the nine-month period ended March 31, 2019 is Rupees 12.60 as compared to Rupees 10.41 for previous year's corresponding period. Financial charges increased due to BMR and hike in interest rate by State Bank of Pakistan which has affected the financial cost of the company.

Pakistan economic growth trajectory remained slow with expected slow Gross Domestic Product (GDP). The current account deficit recorded a sizable contraction during the start of third quarter of current financial year, which together with bilateral inflows eased pressure on Pakistan foreign exchange reserves. Although textile sectors showed better performance in exports as compared to other sectors in fiscal year 2019, but unit prices remained depressed, given the quantum of currency depreciation.

Local currency devaluation along with decrease in energy prices and stability in its supply have provided some respite in margins and volumes. One the other hands rise in input costs, continued liquidity pressure due to blockage of tax refunds and duty drawbacks, increase competition in regional players and increase in rate of minimum wages has negatively impacted the industry. However, businesses are gearing up to deliver the positive results as we leverage our quality products and services to customers.

The Management would like to place on record its appreciation for the support of Board of Directors, regulatory authorities, shareholders, customers, financial institutions, suppliers and dedication & hard work of the staff and workers.

**FOR AND ON BEHALF OF THE BOARD**

FAISALABAD:  
29<sup>th</sup> April, 2019

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

## ڈائریکٹرز رپورٹ برائے ممبران

کمپنی کے ڈائریکٹرز، کمپنی کی 31 مارچ 2019 کو اختتام پذیر ہونے والی نو ماہی کے غیر آڈٹ شدہ مالی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتے ہیں

31 مارچ 2019 کو ختم ہونے والی تیسری سہ ماہی میں مجموعی منافع گزشتہ سال کے اسی سہ ماہی کے مقابلے میں 894.04 ملین روپے سے بڑھ کر 1535.97 ملین روپے ہو گیا ہے۔ تیسرے سہ ماہی کے لئے مجموعی منافع کی شرح 12.27 فیصد سے بڑھ کر 15.64 فیصد ہو گئی ہے۔ مجموعی فروخت میں تیسری سہ ماہی اور نو ماہی میں بالترتیب پچھلی انہی مدتوں کے مقابلے میں 34.81 فیصد اور 28.15 فیصد کا اضافہ ہوا ہے۔ 31 مارچ 2019 کو نو ماہ کے اختتام کے بعد خالص منافع 721.79 ملین روپے سے بڑھ کر 874.42 ملین روپے رہا۔ فی حصص آمدنی مالیاتی سال کی تیسری سہ ماہی میں 10.41 روپے سے بڑھ کر 12.60 روپے ہو گیا ہے۔ مالیاتی اخراجات بڑھنے کی بنیادی وجہ BMR اور اسٹیٹ بینک آف پاکستان کی طرف سے شرح سود میں اضافہ ہے جس نے کمپنی کی فنانس کی لاگت کو متاثر کیا ہے۔

پاکستان کی اقتصادی ترقی کی بڑھوتری کی رفتار میں متوقع سست روی مجموعی ملکی پیداوار میں کمی کی وجہ سے ہے۔ موجودہ مالی سال کے تیسرے سہ ماہی کے آغاز میں کرنٹ اکاؤنٹ کے خسارے میں وسیع پیمانے پر کمی دیکھی گئی ہے۔ جس نے دو طرفہ رقوم کی آمد کے ساتھ مل کر پاکستان کے غیر ملکی ذخائر پر دباؤ کم کیا ہے۔ اس کے باوجود ٹیکسٹائل کے شعبے نے برآمدات میں دوسرے شعبوں سے اس مالیاتی سال 2019 میں بہتر کارکردگی دکھائی ہے۔ لیکن روپے کی قدر کے گھٹاؤ کے باوجود فی یونٹ قیمت دباؤ کا شکار رہی ہے۔

مقامی کرنسی کی قیمت میں کمی اور اس کے ساتھ توانائی کی قیمتوں میں کمی اور اس کی ترسیل کے استحکام نے حجم اور مارجن میں کچھ مدد فراہم کی ہے۔ اس کے برعکس دوسری طرف پیداوار کی لاگتوں میں اضافہ، ٹیکس ریٹینڈز اور ڈیوٹی ڈرائیک کے قفل کی وجہ، روپے کی ترسیل میں کمی، علاقائی ملکوں میں مقابلے میں اضافہ اور کم اجرت میں اضافے نے صنعت کو بری طرح متاثر کیا ہے۔ تاہم کاروبار مثبت نتائج فراہم کرنے کے لئے تیار ہے کیونکہ ہم گاہکوں کو معیاری اشیاء اور خدمات فراہم کرنے کا فائدہ اٹھا رہے ہیں۔

انتظامیہ بورڈ آف ڈائریکٹرز، ریگولیٹری حکام، شراکت داروں، گاہکوں، مالیاتی اداروں، سپلائرز، ملازمین اور کارکنوں کی انتھک محنت اور خلوص کو سراہتی ہے۔

از طرف بورڈ

فیصل آباد  
29 اپریل 2019ء

ڈائریکٹر

چیف ایگزیکٹو آفیسر

# MASOOD TEXTILE MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	Un-audited 31 March 2019	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		<u>600,000</u>	<u>600,000</u>
		<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>		<u>7,686,118</u>	<u>6,945,641</u>
<b>Total Equity</b>		<u>11,076,351</u>	<u>10,335,874</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	3	4,431,315	4,650,568
Liabilities against assets subject to finance lease		22,979	6,816
Deferred liability for gratuity		<u>707,479</u>	<u>724,353</u>
		5,161,773	5,381,737
<b>CURRENT LIABILITIES</b>			
Trade and other payables		4,243,550	2,676,834
Unclaimed dividend		33,250	10,813
Accrued mark-up		245,926	191,768
Short term borrowings		13,910,766	11,962,878
Current portion of non-current liabilities		1,486,738	1,469,563
Provision for taxation		<u>256,979</u>	<u>191,531</u>
		20,177,209	16,503,387
<b>TOTAL LIABILITIES</b>		<u>25,338,982</u>	<u>21,885,124</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	4		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>36,415,333</u>	<u>32,220,998</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	10,656,340	10,028,337
Long term advances		450	1,814
Long term security deposits		<u>64,347</u>	<u>47,110</u>
		10,721,137	10,077,261
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		1,679,941	1,579,156
Stock-in-trade		7,571,813	5,810,871
Trade debts		10,048,719	9,276,084
Loans and advances		434,482	380,772
Short term deposits and prepayments		1,102,603	939,770
Other receivables		4,144,442	3,536,704
Cash and bank balances		<u>712,196</u>	<u>620,380</u>
		25,694,196	22,143,737
<b>TOTAL ASSETS</b>		<u>36,415,333</u>	<u>32,220,998</u>

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

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD / QUARTER ENDED 31 MARCH 2019**  
**(UN-AUDITED)**

	Period Ended		Quarter Ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (RUPEES IN THOUSAND) -----				
<b>REVENUE</b>	25,526,589	19,919,438	9,820,448	7,284,902
<b>COST OF SALES</b>	(22,263,793)	(17,220,399)	(8,284,478)	(6,390,862)
<b>GROSS PROFIT</b>	<u>3,262,796</u>	<u>2,699,039</u>	<u>1,535,970</u>	<u>894,040</u>
<b>DISTRIBUTION COST</b>	(1,907,732)	(1,355,387)	(682,678)	(507,417)
<b>ADMINISTRATIVE EXPENSES</b>	(521,295)	(423,102)	(177,512)	(167,312)
<b>OTHER EXPENSES</b>	(59,659)	(24,164)	(23,477)	(403)
<b>OTHER INCOME</b>	1,239,407	626,549	132,069	325,811
<b>FINANCE COST</b>	(882,116)	(639,723)	(338,305)	(229,229)
<b>PROFIT BEFORE TAXATION</b>	<u>1,131,401</u>	<u>883,212</u>	<u>446,067</u>	<u>315,490</u>
<b>TAXATION</b>	(256,979)	(161,421)	(107,123)	(43,158)
<b>PROFIT AFTER TAXATION</b>	<u>874,422</u>	<u>721,791</u>	<u>338,944</u>	<u>272,332</u>
<b>EARNINGS PER SHARE - BASIC (RUPEES)</b>	<u>12.60</u>	<u>10.41</u>	<u>4.88</u>	<u>3.94</u>
<b>- DILUTED (RUPEES)</b>	<u>11.81</u>	<u>9.87</u>	<u>4.54</u>	<u>3.77</u>

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

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD / QUARTER ENDED 31 MARCH 2019**  
**(UN-AUDITED)**

	Period Ended		Quarter Ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (RUPEES IN THOUSAND) -----			
PROFIT AFTER TAXATION	874,422	721,791	338,944	272,332
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	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	874,422	721,791	338,944	272,332

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

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

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

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



**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 MARCH 2019**  
**(UN-AUDITED)**

(RUPEES IN THOUSAND)

	RESERVES								TOTAL EQUITY	
	CAPITAL				REVENUE					
	SHARE CAPITAL	Share Premium	Redemption Fund	Surplus on Revaluation of Freehold Land	Sub Total	General	Un-appropriated 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	5,242,867	5,957,367	8,360,934	9,347,600
Transactions 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 after taxation for the nine months ended 31 March 2018	-	-	-	-	-	-	721,791	721,791	721,791	721,791
Other comprehensive income for the nine months ended 31 March 2018	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended 31 March 2018	-	-	-	-	-	-	721,791	721,791	721,791	721,791
Balance as at 31 March 2018- Unaudited	986,666	1,375,000	128,333	900,234	2,403,567	714,500	5,821,063	6,535,563	8,939,130	9,925,796
Profit after taxation for the three months ended 30-06-2018	-	-	-	-	-	-	391,257	391,257	391,257	391,257
Other comprehensive income for the three months ended 30 June 2018	-	-	-	-	-	-	18,821	18,821	18,821	18,821
Total comprehensive income for the three months ended 30 June 2018	-	-	-	-	-	-	410,078	410,078	410,078	410,078
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
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 after taxation for the nine months ended 31 March 2019	-	-	-	-	-	-	874,422	874,422	874,422	874,422
Other comprehensive income for the nine months ended 31 March 2019	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the nine months ended 31 March 2019	-	-	-	-	-	-	874,422	874,422	874,422	874,422
Balance as at 31 March 2019- Unaudited	986,666	1,375,000	128,333	900,234	2,403,567	714,500	6,971,618	7,686,118	10,089,685	11,076,351

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

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

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

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

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2019**  
**(UN-AUDITED)**

	Note	Period Ended	
		31 March 2019	31 March 2018
<b>(RUPEES IN THOUSAND)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	6	965,273	(1,354,539)
Finance cost paid		(827,958)	(584,093)
Income tax paid		(258,864)	(210,991)
Dividend paid to ordinary shareholders		(78,813)	(116,953)
Dividend paid to preference shareholders		(25,494)	(25,470)
Gratuity paid		(202,427)	(54,404)
Net decrease in long term advances		1,364	8,060
Net increase in long term security deposits		(17,237)	(10,775)
<b>Net cash used in operating activities</b>		<b>(444,156)</b>	<b>(2,349,165)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		24,617	78,259
Capital expenditure on property, plant and equipment		(1,250,621)	(1,898,625)
<b>Net cash used in investing activities</b>		<b>(1,226,004)</b>	<b>(1,820,366)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		1,155,826	755,875
Repayment of long term financing		(1,355,581)	(549,073)
Repayment of liabilities against assets subject to finance lease		13,843	(24,764)
Short term borrowings-net		1,947,888	3,938,065
<b>Net cash from financing activities</b>		<b>1,761,976</b>	<b>4,120,103</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>91,816</b>	<b>(49,428)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>620,380</b>	<b>902,816</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>712,196</b>	<b>853,388</b>

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

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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

**MASOOD TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2019**  
**(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 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 March 2019 and 31 March 2018 have not been reviewed by the statutory auditors of the Company.

## **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, judgements 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**

### **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.

### 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.

### 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 thousands)	
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 thousands)			
<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	Audited
31 March	30 June
2019	2018
(RUPEES IN THOUSAND)	

**3. LONG TERM FINANCING - SECURED**

Opening balance	6,105,246	5,776,320
Add: Obtained during the period / year	1,155,826	1,044,867
Less: Repaid during the period / year	1,355,581	715,941
	5,905,491	6,105,246
Less: Current portion shown under current liabilities	1,474,176	1,454,678
	<u>4,431,315</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 25.453 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 562.816 million (30 June 2018: Rupees 267.754 million ) and other than capital expenditure are amounting to Rupees 1,050.170 million (30 June 2018: Rupees 830.887 million).
- ii) Ijarah (operating lease) commitments amounting to Rupees 117.687 million (30 June 2018: Rupees 71.063 million).

<b>Un-audited</b>	<b>Audited</b>
<b>31 March</b>	<b>30 June</b>
<b>2019</b>	<b>2018</b>
<b>(RUPEES IN THOUSAND)</b>	

#### 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 5.1)	10,119,190	9,282,929
Assets subject to finance lease (Note 5.2)	62,114	59,848
Capital work-in-progress	475,036	685,560
	<u>10,656,340</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)	1,434,033	2,197,924
Book value of assets transferred from assets subject to finance lease	18,718	40,211
	<u>10,735,680</u>	<u>10,034,542</u>
Less: Book value of deletions during the period/year (Note 5.1.2)	21,035	67,426
	<u>10,714,645</u>	<u>9,967,116</u>
Less: Depreciation charged during the period / year	595,455	684,187
Closing book value	<u>10,119,190</u>	<u>9,282,929</u>

	<b>Un-audited 31 Mar 2019</b>	<b>Audited 30 June 2018</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>5.1.1 Cost of additions during the period / year</b>		
Buildings on freehold land	259,712	208,839
Plant and machinery	972,064	1,690,672
Electric and gas installations	114,823	139,342
Factory equipment	7,432	13,670
Telephone installations	1,240	673
Furniture and fixtures	27,372	79,320
Office equipment	402	598
Computer equipment	18,094	39,027
Vehicles	32,894	25,783
	<u>1,434,033</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	8,170	12,460
	<u>21,035</u>	<u>67,426</u>
<b>5.2 Assets subject to finance lease</b>		
Opening book value	59,848	108,022
Add: Additions during the period / year - Vehicles	27,112	-
	<u>86,960</u>	<u>108,022</u>
Less: Book value of assets transferred to operating fixed assets (Note 5.2.1)	18,718	40,211
	<u>68,242</u>	<u>67,811</u>
Less: Depreciation charged during the period / year	6,128	7,963
Closing book value	<u>62,114</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)

Period Ended	
31 Mar 2019	31 Mar 2018

(RUPEES IN THOUSAND)

**6. CASH USED IN OPERATIONS**

Profit before taxation	1,131,401	883,212
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	601,583	498,931
Provision for gratuity	182,577	156,447
(Gain) / loss on sale of property, plant and equipment	(3,582)	9,027
Finance cost	882,116	639,723
Working capital changes (Note 6.1)	(1,828,822)	(3,541,879)
	<u>965,273</u>	<u>(1,354,539)</u>

(Un-audited)	
Period Ended	
31 Mar 2019	31 Mar 2018
(RUPEES IN THOUSAND)	

#### 6.1 Working capital changes

##### (Increase) / decrease in current assets:

Stores, spare parts and loose tools	(100,785)	(270,946)
Stock in trade	(1,710,013)	(1,352,626)
Trade debts	(831,145)	(2,351,726)
Loans and advances	(53,710)	(147,696)
Short term deposits and prepayments	(95,500)	(93,887)
Other receivables	(607,738)	34,429
	(3,398,891)	(4,182,452)
Increase in trade and other payables	1,570,069	640,573
	<u>(1,828,822)</u>	<u>(3,541,879)</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)	
Period ended		Period ended		Period ended		Period ended		Period ended	
31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (RUPEES IN THOUSAND) -----									

##### Revenue

External	1,062,615	973,841	240,704	87,271	24,223,270	18,858,327	-	-	25,526,589	19,919,438
Intersegment	1,620,934	1,479,515	10,346,301	7,918,844	16,194	13,988	(11,983,429)	(9,412,347)	-	-
	2,683,549	2,453,356	10,587,005	8,006,115	24,239,464	18,872,315	(11,983,429)	(9,412,347)	25,526,589	19,919,438
Cost of sales	(2,599,524)	(2,385,466)	(10,280,696)	(7,754,913)	(21,367,002)	(16,492,367)	11,983,429	9,412,347	(22,263,793)	(17,220,399)
Gross profit	84,025	67,890	306,309	251,202	2,872,462	2,379,948	-	-	3,262,796	2,699,039
Distribution cost	(34,077)	(28,586)	(124,175)	(101,312)	(1,749,480)	(1,225,489)	-	-	(1,907,732)	(1,355,387)
Administrative expenses	(27,266)	(24,389)	(106,625)	(83,718)	(387,404)	(314,996)	-	-	(521,296)	(423,103)
	(61,344)	(52,975)	(230,800)	(185,030)	(2,136,884)	(1,540,485)	-	-	(2,429,028)	(1,778,490)

##### Profit before

taxation and unallocated income and expenses	22,682	14,915	75,509	66,172	735,578	839,463	-	-	833,769	920,549
--	--------	--------	--------	--------	---------	---------	---	---	---------	---------

##### Unallocated income and expenses:

Other expenses	(59,659)	(24,164)
Other income	1,239,407	626,549
Finance cost	(882,116)	(639,723)
Taxation	(256,979)	(161,421)
Profit after taxation	<u>874,422</u>	<u>721,790</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 March 2019	30 June 2018	31 March 2019	30 June 2018	31 March 2019	30 June 2018	31 March 2019	30 June 2018
----- (RUPEES IN THOUSAND) -----								
Total assets for reportable segments	1,991,565	1,613,093	2,650,882	2,590,938	15,265,647	13,224,089	19,908,094	17,428,120
Unallocated assets							16,507,239	14,792,878
Total assets as per statement of financial position							36,415,333	32,220,998
Total liabilities for reportable segments	201,287	109,893	1,523,938	562,085	3,504,980	2,933,614	5,230,205	3,605,592
Unallocated liabilities							20,108,777	18,279,532
Total liabilities as per statement of financial position							25,338,982	21,885,124

Spinning		Knitting		Processing and Garments		Total-Company	
(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
Period Ended							
31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (RUPEES IN THOUSAND) -----							

7.3 Segment wise and geographical location wise disaggregation of revenue

America and Canada	-	-	-	-	14,536,100	9,755,755	14,536,100	9,755,755
Europe	-	-	-	-	6,944,127	5,835,192	6,944,127	5,835,192
Asia, Africa and Australia	165,926	237,679	-	-	1,022,091	1,944,625	1,188,017	2,182,304
Pakistan	896,689	736,162	240,704	87,271	1,720,952	1,322,754	2,858,345	2,146,187
	1,062,615	973,841	240,704	87,271	24,223,270	18,858,326	25,526,589	19,919,438

8. TRANSACTIONS WITH RELATED PARTIES

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

Un-audited			
Period Ended		Quarter Ended	
31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (RUPEES IN THOUSAND) -----			

Transactions

Associated company

Dividend paid - 30,444 - -

Other related parties

Dividend paid 2,485 2,899 - -

Remuneration paid to Chief Executive Officer, Directors and Executives

101,075 104,491 24,395 39,653

**9. DATE OF AUTHORIZATION**

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on 29 April, 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.

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
DIRECTOR

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

# **BOOK POST**

*If undelivered please return to:*  
**MASOOD TEXTILE MILLS LIMITED**  
UNIVERSAL HOUSE, P-17/1 NEW CIVIL LINES,  
BILAL RAOD, FAISALABAD.  
Tel: 92-41-2600176-276 Fax: 92-41-2600976