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Masood Textile Mills Ltd.

2019
ANNUAL REPORT

CONTENTS

COMPANY INFORMATION

CHAIRMAN	:	MR. NASEER AHMAD SHAH
CHIEF EXECUTIVE OFFICER	:	MR. SHAHID NAZIR AHMAD
DIRECTORS	:	MR. SHABIR AHMAD ABID (Independent Director)
	:	MR. SHAHID IQBAL (Independent Director)
	:	MR. SHOAIB AHMAD KHAN (Nominee-NIT)
	:	MS CHEN YAN (Nominee-Shanghai Challenge Textile Co. Ltd.)
	:	MR. SHIBIN YANG (Nominee-Shanghai Challenge Textile Co. Ltd.)
COMPANY SECRETARY	:	MR. NISAR AHMAD ALVI
CHIEF FINANCIAL OFFICER	:	MR. MUHAMMAD SHAHID NAVEED
AUDIT COMMITTEE	:	MR. SHABIR AHMAD ABID (Chairman)
	:	MR. NASEER AHMAD SHAH
	:	MR. SHAHID IQBAL
HR & REMUNERATION COMMITTEE	:	MR. SHAHID IQBAL (Chairman)
	:	MR. SHAHID NAZIR AHMAD
	:	MR. SHABIR AHMAD ABID
AUDITORS	:	M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
SHARE REGISTRAR	:	CORPTEC ASSOCIATES (PVT) LIMITED 503-E, JOHAR TOWN, LAHORE. PHONE: 042-35170336-7 FAX: 042-35170338 WEB: www.corptec.com.pk
REGISTERED OFFICE	:	UNIVERSAL HOUSE, P-17/1, NEW CIVIL LINES, BILAL ROAD, FAISALABAD. PHONE: 041-2600176-276 FAX: 041-2600976
MILLS	:	32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 35th Annual General Meeting of the members, holding Ordinary Shares of Masood Textile Mills Limited, will be held at its Registered Office, Universal House, 17/1 New Civil Lines, Bilal Road, Faisalabad on Monday, 28th October, 2019 at 11.00 A.M. to transact the following business::

1. To confirm the minutes of the last Extraordinary General Meeting held on 31st March, 2019.
2. To receive, consider and adopt the Chairman's Review Report, Reports of Directors and Auditors together with Audited Annual Financial Statements of the Company for the year ended 30th June, 2019.
3. To approve the payment of cash dividend @ 15.00% (Rs.1.50 per ordinary share), as recommended by the Board of Directors.
4. To appoint Auditors and to fix their remuneration for the financial year ending 30th June, 2020. M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for their re-appointment.
5. To consider any other business that may be placed before the meeting with the permission of the chair.

FOR AND ON BEHALF OF THE BOARD

Faisalabad: 4th October, 2019 **(COMPANY SECRETARY)**

NOTES:

1. Share Transfer Books for Ordinary Shares of the Company will remain closed from 21st to 28th October, 2019 (both days inclusive) for the determination of entitlement of cash dividend on Ordinary Shares. Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 19th October, 2019 will be treated in time.
2. Share Transfer Books for Preference Shares of the Company will remain closed from 21st to 28th October, 2019 (both days inclusive) for determining the entitlement of Preferred Dividend calculated at average six months KIBOR+200 bps p.a. (Rs.1.09 per share). Physical transfers / CDS Transactions IDs, received in order at Registered Office of the Company or our Share Registrar, by the close of business on 19th October, 2019 will be treated in time
3. A shareholder entitled to attend and vote at this meeting may appoint another shareholder as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and Power of Attorney or other authority under which it is signed or notarially certified copy of the Power of Attorney must be received at the Registered Office of the Company, duly stamped, signed and witnessed not later than 48 hours before the meeting. An instrument of Proxy applicable for meeting is attached herewith. However, Preference Shareholders are not entitled to attend the meeting, since Preference Shares carry no voting rights
4. Share Holders whose shares are deposited with Central Depository System (CDS) are requested to bring their Computerized National Identity Card (CNIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of the meeting
5. Pursuant to Finance Act, 2019, the Company is liable to withhold Income Tax @ 15 % from the Filers and 30 % from the Non-Filers under the provisions of Section 150 of the Income Tax Ordinance, 2001. Kindly ensure your status from Active Tax Payer's List, available at FBR's website, before disbursement of Dividend by the Company. Individuals without CNIC(s) will be treated Non-Filers, since their status cannot be verified from FBR.
6. Physical Share Holders are requested to notify any change in their addresses immediately. The share holders claiming exemption from Zakat are required to file their Declaration with our Share Registrar. Moreover, the share holders who have not yet submitted their Computerized National Identity Cards to the Company are requested once again to send attested copies thereof at their earliest. Otherwise, their Dividend will be withheld for lack of complete information.

7. Physical Share Holders who have not yet provided their "International Bank Account Number (IBAN)" are required to provide immediately their containing the title of account, along with Name of Bank, Branch Name and Address, since the Company is required to pay Cash Dividend through electronic mode, directly into the bank accounts of its share holders.

8. Shareholders who have not collected their Dividend/Physical shares so far are advised contact our Share Registrar to collect/enquire about their Unclaimed Dividend or Share, if any

9. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least (7) days prior to the date of the meeting on the Standard Form available on the Company's website: www.masoodtextile.com.

10. Pursuant to the provision of Section 223(6) of the Companies Act, 2017, the Companies are permitted to Circulate their annual financial statements, along with the Auditor's report, director review report etc. ("Annual Report") and the notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and Notice of Annual General Meeting by E-mail are requested to provide the complete Electronic Communication Consent Form (available at the Company's Website) to the Company's Share Registrar.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the report onoverall performance of the Board and effectiveness of its role in attaining the Company's targets and objectives for the year ended June 30, 2019.The board of directors has carried out its fiduciary duties with a sense of objective judgment and in good faith in the best interest of the company and its stakeholders through compliance of relevant laws and regulations.

During the year challenges to Pakistan economy have continued to remain in the shape of inflationary pressure, increasing mark-up, significant depreciation of Pakistani rupee and toned-down of GDP growth rate in comparison with last fiscal year. Despite these challenges, we strengthened our growth trajectory andcontinue to achieve increase in turnover by 10.92% and increase in profit after tax by 19.71% over last year. This accomplishment highlight the interest placed on us by our customers and persistent efforts and commitment of our people- our most valuable asset.

It is also pertinent to mention that the performance of the Board has been par excellence. The Board continuously reviews the Company business and advises the management on the key areas like strategic planning, effective resources utilization, financial performance, capital deployment, matters related to human and operational capacity and related capabilities.

I would conclude by extending my gratitude to the Board, Chief Executive Officer and management fortheir valuable contributions towards the society and growth of Company. Our Company is well positioned for continued prosperity and growth and also expect 2019-20 to bring improve benefits for all the stakeholders and business partners.

Faisalabad:
04 October, 2019

CHAIRMAN

چیئرمین کی جائزہ رپورٹ

مجھے 30، جون,2019 کوختم ہونے والے سال کے لیے بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کو حاصل کرنے کیلئے ان کے موثر کردار پر رپورٹ پیش کرنے پر بے حد خوشی محسوس ہو رہی ہے۔بورڈ آف ڈائریکٹرز نے متعلقہ قوانین اور قواعد وضوابط کی روشنی میں معقول فیصلے کرتے ہوئے کمپنی اور اس کے شراکت داروں کے بہترین مفاد میں نیک نیتی کے ساتھ اپنے فرائض منصبی انجام دیئے ہیں۔

گزشتہ سال کی طرح اس سال میں بھی پاکستان کی معیشت کو بڑھتی ہوئی مہنگائی ,شرح سود میں اضافہ، پاکستان کے روپے کی قدر میں کمی اور مجموعی قومی پیداوار کی شرح نمو میں کمی جیسے مسائل کا سامنا رہا ہے۔ ان چیلنجوں کے باوجود ہم نے اپنی ترقی کی رفتار کو مستحکم رکھا اور فروخت میں %10.92 کا اضافہ اور بعد از ٹیکس منافع میں گزشتہ سال کے مقابلے میں %19.71 کا اضافہ حاصل کیا۔یہ کامیابی ہمارے صارفین کی طرف سے ہم پر اعتماد اور ہمارے لوگوں کی طرف سے مستقل کاوشوں اور عزم کی عکاسی کرتی ہے۔

یہ بھی کہنا ضروری ہے کہ بورڈ نے بہترین کارکردگی کا مظاہرہ کیا ہے۔بورڈ کمپنی کے کاروبار کا مستقل جائزہ لیتا ہے اور کمپنی کو خاص امور جیسا کہ بہترین حکمت عملی، وسائل کے بہترین استعمال، مالی کارکردگی، سرمایہ کاری اور آپریشنل صلاحیت سے متعلق امور اور انسانی وسائل کے استعمال کے بارے میں مفید مشورے دیتا رہتا ہے۔

میں بورڈ، چیف ایگزیکٹو آفیسر اور انتظامیہ کی جانب سے کمپنی کی ترقی اور معاشرے کی بہتری کے لئے ان کی گراں قدر خدمات کو سراہتا ہوں اور ان کا شکریہ ادا کرتا ہوں۔

ہماری کمپنی مستحکم خوشحالی اور نمو کے لئے صلاحیت رکھتی ہے اور اس کی بھی توقع رکھتی ہے کہ 20-2019 میں تمام اسٹیک ہولڈرز اور کاروباری شراکت داروں کے لئے بہترین فوائد لائیں گے۔

چیئرمین

فیصل آباد

4اکتوبر 2019

DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the 35th Directors' Report based on the results of business and operations of the Company together with the Audited Financial Statements for the year ended June 30, 2019 along with other required information prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Companies Act, 2017.

Market Overview

Pakistan's exports during FY2019 stood at US$ 22.979 billion compared with US$ 23.212 billion during FY2018 owing to strong negative price effect dominates the positive quantity effect, hence exports declined by 1 percent. However, textile exports, which constitute more than 60 percent, share of total exports, increased by 2.3 percent in value over the last year. Value added exports of textile items like knitwear which comprises 14.4 percent of total exports increased both in quantity and value by 10.7 and 12.8 percent, respectively. Readymade garments constituting share of 12.5 percent in exports increased both in quantity and value by 34.6 and 7.5 percent, respectively. Value-added exports increased due to growing demand and improvement in export competitiveness after exchange rate adjustment.

Company's Performance

Our financial disciplines and firm asset base are the foundation of our strong financial performance. Your Company continued to show improved results on the basis of our positive workplace culture, that fosters innovation, recognizes performance and offers development opportunities, ensuring that we attract, retain and invest in the best people.

During the financial year, your Company recorded turnover of Rs. 34.211 billion against Rs. 30.842 billion for the Same Period Last Year (SPLY); with an increase of Rs 3.369 billion (10.92%). During the financial year ended by 30 June 2019, the Company earned a net profit of Rs. 1.332 billion (Earnings per share: Rs. 19.24 per share), as compared to net profit of Rs. 1.113 billion (Earnings per share: Rs. 16.11 per share) for the SPLY, showing a healthy increase of 19.71 %. Company has increased its profitability due to commitment of management, their contribution to effective cost management, better funds utilization, harnessing the support and power of our community to drive positive and lasting change at the grassroots level and by improving overall operating performance of the Company.

Financial Highlights

	2019	2018
	(RUPEES IN THOUSAND)	
REVENUE	34,211,379	30,842,159
COST OF SALES	(30,417,532)	(26,990,855)
GROSS PROFIT	3,793,847	3,851,304
DISTRIBUTION COST	(2,449,678)	(2,063,381)
ADMINISTRATIVE EXPENSES	(697,674)	(549,235)
OTHER EXPENSES	(48,649)	(108,238)
OTHER INCOME	2,353,372	1,070,524
FINANCE COST	(1,203,112)	(896,395)
PROFIT BEFORE TAXATION	1,748,106	1,304,579
TAXATION	(415,698)	(191,531)
PROFIT AFTER TAXATION	1,332,408	1,113,048
EARNINGS PER SHARE - BASIC (RUPEES)	19.24	16.11
- DILUTED (RUPEES)	17.70	15.18

The textile industry has been hit hard due to the high cost of energy, finance cost, fuel prices coupled with upward rise in price of production and inconsistent economic policies making Pakistan's exports uncompetitive in the global market. Moreover, projections about low GDP growth, high inflation rate, uncertain policy rate and the regional situation has become more precarious for Pakistan. The Government support in the form of availability of energy at reduced prices, continuation of rebate scheme and release of funds against rebate claims/tax refunds is imperative for industry to compete internationally. The Government should take noteworthy measures to promote the exports and develop the industrial sector of the country. The Company have a very promising future prospect and is well positioned for continued prosperity and growth.

Dividend

The Board of Directors in its meeting held on 04 October 2019 has proposed 15 % Cash Dividend (Rs. 1.50 per share) for the approval of the members at the Annual General Meeting to be held on 28 October 2019.

The Company had issued 60.000 million Preference Shares of the value of Rupees 600.000 million, redemption of these preference shares after the expiry of their maturity is at the option of the Company. During FY2019, no redemption of Preference Shares was affected. Preference dividend is payable on the basis of the average six months KIBOR+200 bps per annum and accordingly Preference Dividend of Rupee 1.09 per share has been computed against balance of 31,166,668 Preference shares.

Corporate Governance

The Company is in compliant with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Companies Act, 2017 as required by Securities & Exchange Commission of Pakistan (SECP). Following are the statements on Corporate and Financial Reporting Framework:

1. The Financial Statements presented by the management of the Company gives a fair view of the state of affairs, the results of its operations, cash flow and changes in equity;

2. Proper books of accounts have been maintained;

3. Accounting policies have been consistently applied in the preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment;

4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of Financial Statements;

5. The system of internal controls, which is in place, is sound in design and has been effectively implemented and monitored;

6. There is no significant doubt on the Company's ability to continue as a going concern;

7. During the year ended June 30, 2019, term of the office of Directors expired and election for new Board of Directors has been held under the relevant laws. The existing Directors of the Company fixed the seven number of Directors which were elected in Extra Ordinary General Meeting (EOGM). Company elected two independent Directors namely Mr. Shabir Ahmed and Mr. Shahid Iqbal which replaced retiring Directors Mr. Matloob Hussain and Mr. Fazal Ahmed respectively. New Audit Committee consisting Mr. Shabir Ahmad Abid (Independent Director as Chairman), Mr. Naseer Ahmad Shah (Member), Mr. Shahid Iqbal (Member) and New HR & Remuneration Committee consisting Mr. Shahid Iqbal (Independent Director as Chairman), Mr. Shahid Nazir Ahmad (Member), Mr. Shabir Ahmad Abid (Member).

8. There has been no material departure from the best practices of the corporate governance;

9. The Board of Directors has approved a Remuneration Policy for Directors and Members of Senior Management. The Company will not pay remuneration to its non-executive directors except as meeting fee for attending the Board meetings;

10. As required under the Listed Companies (Code of Corporate governance) Regulations, 2017, the Board has undertaken a formal process of self-evaluation of performance of the Board as a whole and its committees;

11. The Directors were apprised of their duties and responsibilities from time to time. During the year under review no training program was arranged by the Company. One Board members have the prescribed qualification and experience required for exemption from the training program of Directors. One Director has already attended directors' training. Two newly appointed director on the board will acquire the DTP certification within the given time frame. The rest will also obtain certification within the specified time;

12. All transactions with related parties have been executed at arm's length and have been disclosed in the financial statements under relevant notes.

Six meetings of the Board of Directors were held during the financial year, with the following attendance:

S.No	Name of Directors	Re-Elected/Retired	No. of Meetings Attended	No. of Meetings Due
1.	Mr. Shahid Nazir Ahmad	Re-Elected	4	6
2.	Mr. Naseer Ahmad Shah	Re-Elected	6	6
3.	Mr. Matloob Hussain	Retired	4	4
4.	Mr. Fazal Ahmad	Retired	4	4
5.	Mr. Shoaib Ahmad Khan (Nominee-NIT)	Re-Elected	3	6
6.	Ms. Chen Yan (Nominee-Shanghai Challenge Tex.Co.Ltd.)	Re-Elected	1	6
7.	Mr. Shibin Yang (Nominee-Shanghai Challenge Tex.Co.Ltd.)	Re-Elected	0	6
8.	Mr. Shabir Ahmad Abid	Elected	2	2
9.	Mr. Shahid Iqbal	Elected	2	2

Likewise, five meetings of the Audit Committee were held during the financial year, with the following attendance:

S.No	Name of Directors	Re-Elected/Retired	No. of Meetings Attended	No. of Meetings Due
1.	Mr. Fazal Ahmad	Retired	4	4
2.	Mr. Naseer Ahmad Shah	Re-Elected	5	5
3.	Mr. Matloob Hussain	Retired	4	4
4.	Mr. Shabir Ahmad Abid	Elected	1	1
5.	Mr. Shahid Iqbal	Elected	1	1

The Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 and Companies Act, 2017 is enclosed. Comparative financial data for the last six years is also annexed with the Directors Report. The pattern of shareholding and categories of shareholders as of June 30, 2019, as required under the Pakistan Stock Exchange Regulations, have been annexed herewith along with the Proxy Form.

External Auditors

The auditors M/s Riaz Ahmed & Company, Chartered Accountants, retires and being eligible, has offered themselves for their re-appointment. The Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the next financial year ending 30thJune, 2020.

Health, Safety, Environment and CSR

Health, Safety & Environment is our core value and the Company regularly takes initiatives towards the improvement of environment and well-being of society. We carry out regular health and safety awareness programs. The Company has also provided firefighting equipment and vehicles at all of its manufacturing facilities. A dedicated clinic/dispensary is managed by the qualified team where 24/7 emergency services are provided. We also ensure the compliance of our production facility with all the environmental standards.

CSR is strategic, building long term relationships with neighboring communities and stakeholders. Relationships that are mutually beneficial enhance corporate reputation and respect for the Company's business and products, and provide a sustainable competitive advantage.

Acknowledgement

The management is thankful to the Company's stakeholders especially to the shareholders, bankers and its customers for their continuing confidence in its products and services. The management also wishes to express its gratitude to all the Company's employees who have worked tirelessly. We appreciate their hard work, loyalty and dedication.

Faisalabad
04th October, 2019 **DIRECTOR** **DIRECTOR**

ڈائریکٹرز رپورٹ برائے حصص یافتگان

ہم 30 جون 2019ء کو 35 ویں اختتام پذیر ہونے والے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے، کمپنی کے کاروبار اور کاروائی کے نتائج کے ساتھ کوڈ آف کارپوریٹ گورنس (ریگولیشن) اور کمپنیز ایکٹ 2017ء کے تحت دیگر مطلوبہ معلومات فراہم کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مارکیٹ کا جائزہ

مالیاتی سال 2019 کے دوران پاکستان کی برآمدات 22.979 بلین ڈالرز پر کھڑی ہیں جو کہ مقابلۃ 2018 کے دوران 23.212 بلین ڈالرز تھی جس کی وجہ قیمت پر مظبوط منفی اثر کا مقدار کے مثبت اثر پر غلبہ ہے۔ لہٰذا برآمدات میں 1 فی صد کمی واقع ہوئی ہے۔ تاہم ٹیکسٹائل کی برآمدات جو کہ کل برآمدات کا 60 فی صد سے زیادہ حصہ ہیں، کی قدر میں گزشتہ سال کے مقابلے میں 2.3 فی صد اضافہ ہوا ہے۔ ویلیوایڈیڈ ٹیکسٹائل آئیٹمز جیسا کہ نٹ ویئر جو کہ کل برآمدات کا 14.4 فی صد ہیں جن کی مقدار اور قیمت بالترتیب 10.7 اور 12.80 فی صد اضافہ ہوا ہے۔ ریڈی میڈ گارمینٹس جو کہ برآمدات کا 12.5 فی صد حصہ ہے کی مقدار اور قیمت میں بالترتیب 34.6 اور 7.5 فی صد اضافہ ہوا ہے۔ برآمدی زرمبادلہ کی شرح کی ایڈجسٹمینٹ اور طلب میں اضافے سے ایکسپورٹ مسابقت میں بہتری کی وجہ سے ویلیوایڈڈ برآمدات میں اضافہ ہوا ہے۔

کمپنی کی کارکردگی

ہمارے مالیاتی نظم وضبط اور مظبوط اثاثہ جاتی بنیاد ہماری مضبوط مالی کارکردگی کی بنیاد ہیں۔ آپ کی کمپنی نتائج میں بہتری کو جاری رکھے ہوئے ہے۔ جس کی وجہ ہمارا مثبت کاروباری کلچر ہے جو کہ جدت کو پروان چڑھاتا ہے، کارکردگی کو پہچانتا ہے، ترقی کے مواقع فراہم کرتا ہے۔ اس بات کو یقینی بناتے ہوئے ہم بہترین لوگوں کو راغب کریں، برقرار رکھیں اور ان میں سرمایہ کاری کریں۔ مالی سال کے دوران آپ کی کمپنی نے ریکارڈ 34.211 بلین روپے کا کاروبار کیا، 3.369 بلین روپے 10.92 فی صد اضافے کے ساتھ جو پچھلی اسی مدت کے دوران 30.842 بلین روپے تھے۔ 30 جون 2019 کو اختتام پذیر ہونے والے مالی سال کے دوران کمپنی کو 1.332 بلین روپے (19.24 روپے آمدنی فی حصص) خالص آمدن ہوئی جو گزشتہ اسی مدت کے مقابلے میں 1.113 بلین روپے (16.11 روپے فی حصص آمدنی) آمدن تھی۔ 19.71 فی صد کے صحت منداضافہ کو ظاہر کرتی ہے۔ کمپنی نے انتظامیہ کی وابستگی، موثر لاگت کے انتظام میں ان کی شرکت، سرمایہ کے بہتر استعمال، نچلی سطح پر مثبت اور دیرپا تبدیلی لانے کے لئے ہماری برادری کی مدد اور طاقت کو بروئے کار لانے اور کمپنی کی مجموعی آپریٹنگ کارکردگی کو بہتر بنانے کی وجہ سے اپنے منافع میں اضافہ کیا ہے۔

مالی سرخیاں

کمپنی کے مالی نتائج کا موازنہ درج ذیل ہے۔

تفصیل	2019	2018
	روپے ہزاروں میں	روپے ہزاروں میں
آمدنی	34,211,379	30,842,159
لاگت سیلز	(30,417,532)	(26,990,855)
مجموعی نفع	3,793,847	3,851,304
ڈسٹری بیوشن خرچہ	(2,449,678)	(2,063,381)
کاروبار کے انتظامی اخراجات	(697,674)	(549,235)
دیگر اخراجات	(48,649)	(108,238)
دیگر آمدن	2,353,372	1,070,524
مالی لاگت	(1,203,112)	(896,395)
نفع ٹیکس سے پہلے	1,748,106	1,304,579
ادا کردہ ٹیکسز	(415,698)	(191,531)
نفع ٹیکس کی ادائیگی کے بعد	1,332,408	1,113,048
آمدن فی حصص بنیادی (روپیہ)	19.24	16.11
آمدن فی حصص ڈائیلوٹ کرکے (روپیہ)	17.70	15.18

ٹیکسٹائل کی صنعت کوتوانائی کی بڑھتی ہوئی قیمتوں، سرمایہ کی لاگت، ایندھن کی قیمتوں میں اضافہ پیداوار کی قیمتوں میں اضافہ اور متضاد معاشی پالیسوں کی وجہ سے پاکستان کو برآمدات عالمی مارکیٹ میں غیر مقابل بنانے کی وجہ سے سخت نقصان پہنچا ہے۔ مزید برآں، جی ڈی پی کی شرح میں کمی، افراط زر کی شرح میں اضافہ، غیر یقینی پالیسی کی شرح اور علاقائی صورتحال کے بارے میں پیش گوئیاں پاکستان کے لئے زیادہ غیر یقینی بن چکی ہے۔ کم قیمت پر توانائی کی دستیابی، ربیٹ اسکیم کا تسلسل اور ربیٹ کے کلیم ٹیکس کی واپسی کے خلاف فنڈز کے اجراء کی شکل میں حکومت کا تعاون صنعت کو بین الاقوامی سطح مقابلہ کرنے کے لئے لازمی ہے۔ حکومت کو چاہئیے کہ وہ برآمدات کو فروغ دینے اور ملک کے صنعتی شعبے کو ترقی دینے کے لئے قابل ذکر اقدامات کرے کمپنی کا مستقبل بہت پر امید ہے اور خوشحالی اور ترقی کو جاری رکھتے ہوئے اچھی طرح سے پوزیشن میں ہے۔

حصہ / منافع

بورڈ آف ڈائریکٹرز نے 04 اکتوبر 2019 کو ہونے والے اجلاس میں 15 فی صد (1.5 روپے فی حصص) کیش ڈیویڈنڈ، 28 اکتوبر 2019 کو منعقد ہونے والے سالانہ اجلاس میں ممبران کی منظوری کے لئے تجویز کیا ہے۔

کمپنی نے 600.000 ملین روپے کی قیمت کے 60.000 ملین ترجیحی حصص جاری کیے تھے ان ترجیحی حصص کی مدت کے خاتمے کے بعد ان کی واپسی کمپنی کے اختیار میں ہے۔ مالی سال 2019 کے دوران، ترجیحی حصص کی کوئی مقدار متاثر نہیں ہوئی، ترجیحی منافع سالانہ اوسط چھ ماہ کے KIBOR+200BPS کی بنیاد پر قابل ادائیگی ہے اور اسی حساب سے فی شرح 1.09 روپے فی ترجیحی حصص 31,166,668 ترجیحی حصص کے حساب پر لگایا گیا ہے۔

کارپوریٹ گورنس

کمپنی کے معاملات سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے ضابطوں کے مطابق لسٹیڈ کمپنیوں (کوڈ آف کارپوریٹ گورنس) ضابطہ 2017ء اور کمپنیز ایکٹ 2017ء دفعات کے مطابق ہیں۔ کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کے بارے میں بیانات درج ذیل ہیں۔

1۔ کمپنی کی انتظامیہ کے پیش کردہ مالیاتی بیانات کی صورتحال، کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں بدلاؤ کے بارے میں ایک عمدہ نظریہ پیش کرتے ہیں۔

2۔ اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔

3۔ مالیاتی بیانات کی تیاری میں اکاؤنٹنگ کی پالیسیاں مستقل طور لاگو ہوتی ہیں۔ اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔

4۔ مالیاتی بیانات کی تیاری کے سلسلے میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو پاکستان میں قابل اطلاق ہیں عمل کیا گیا ہے۔

5۔ انٹرنل کنٹرول کا نافذ نظام، بہترین انداز سے بنایا گیا ہے اور اسے موثر انداز میں لاگو کیا گیا ہے۔

6۔ کمپنی کے کاروبار کے رواں دواں رکھنے کی صلاحیت شکوک وشبہات سے بالاتر ہے۔

7۔ 30 جون 2019 کو ختم ہونے والے سال کے دوران، متعلقہ قوانین کے تحت ڈائریکٹرز کی دفتری معیاد ختم ہوگئی ہے اور نئے بورڈ آف ڈائریکٹرز کے لئے انتخابات کا انعقاد کیا گیا ہے۔ کمپنی کے موجودہ ڈائریکٹرز نے سات ڈائریکٹرز کو فکس کیا جن کا انتخاب غیر معمولی اجلاس (EOGM) میں ہوا۔ کمپنی نے 2 آزاد ڈائریکٹرز جن کے نام جناب شبیر احمد عابد اور جناب شاہد اقبال ہیں کو ریٹائرڈ ہونے والے ڈائریکٹرز جناب مطلوب احمد اور جناب فضل احمد کی جگہ منتخب کیا ہے۔ نئی آڈٹ کمیٹی جناب شبیر احمد عابد (آزاد ڈائریکٹر چیرمین) جناب نصیر احمد شاہ (ممبر) جناب شاہد اقبال (ممبر) اور نئی ایچ آر اینڈ ریمونیشن کمیٹی جناب شاہد اقبال (آزاد ڈائریکٹر چیرمین) جناب شاہد نذیر احمد (ممبر) جناب شبیر احمد عابد (ممبر) پر مشتمل ہے۔

8۔ کارپوریٹ گورنس کے بہترین طریقہ کار سے کوئی اہم انحراف نہیں ہوا ہے۔

9۔ بورڈ آف ڈائریکٹرز نے ڈائریکٹرز اور سینئر مینجمنٹ کے ممبروں کے لئے معاوضہ پالیسی کی منظوری دے دی ہے کمپنی اپنے نان ایگزیکٹیو ڈائریکٹرز کو سوائے بورڈ کے اجلاس میں شرکت کی فیس وصول کرنے کے کوئی معاوضہ ادا نہیں کرے گی،

10۔ لسٹیڈ کمپنیز کے (کوڈ آف کارپوریٹ گورنس) ضابطہ، 2017 کے تقاضوں کے تحت بورڈ، نے بورڈ اور اس کی کمیٹیوں کی کارکردگی کی خود تشخیصی کا باضابطہ عمل شروع کیا ہے

11۔ ڈائریکٹرز کو وقتاً فوقتاً اپنے فرائض اور ذمہ داریوں سے آگاہ کیا جاتا ہے زیر جائزہ سال کے دوران کمپنی کی جانب سے کسی تربیتی پروگرام کا اہتمام نہیں کیا گیا تھا۔ بورڈ کے ایک ممبر کے پاس ڈائریکٹر کے تربیتی پرگرام سے استثنیٰ کے لئے مطلوبہ تجویز کردہ قابلیت اور تجربہ ہے، ایک ڈائریکٹر پہلے ہی ڈائریکٹر ٹریننگ حاصل کر چکا ہے۔ بورڈ میں دو نئے تعینات ڈائریکٹرز ڈی ٹی پی سرٹیفکیشن کو مقررہ مدت کے اندر حاصل کریں گے۔ باقی ماندہ بھی مقررہ وقت میں سند حاصل کر لیں گے۔

12۔ متعلقہ فریقوں کے ساتھ تمام لین دین کو تفصیل کے ساتھ انجام دیا گیا ہے اور متعلقہ حسابات کو مالی بیانات میں درج کیا گیا ہے۔

ڈائریکٹرز کی چھ میٹنگز مالی سال کیلئے منعقد ہوئی جو درج ذیل ہیں۔

نمبر شمار	ڈائریکٹر کا نام	دوبارہ منتخب / ریٹائرڈ	اجلاس حاضری کی تعداد	درکار کل اجلاس حاضری کی تعداد
1	جناب شاہد نذیر احمد	دوبارہ منتخب	4	6
2	جناب نصیر احمد شاہ	دوبارہ منتخب	6	6
3	جناب مطلوب حسین	ریٹائرڈ	4	4
4	جناب فضل احمد	ریٹائرڈ	4	4
5	جناب شعیب احمد خان (منتخب NIT)	دوبارہ منتخب	3	6
6	مس چن یان (منتخب شنگھائی چینچی ٹیکسٹائل کمپنی لمیٹڈ)	دوبارہ منتخب	1	6
7	جناب شیاہن یانگ (منتخب شنگھائی چینچی ٹیکسٹائل کمپنی لمیٹڈ)	دوبارہ منتخب	0	6
8	جناب شبیر احمد عابد	منتخب	2	2
9	جناب شاہد اقبال	منتخب	2	2

اسی طرح پانچ آڈٹ کمیٹی کے اجلاس مالی سال کے دوران منعقد ہوئے مندرجہ ذیل ارکان نے حصہ لیا

نمبر شمار	ڈائریکٹر کا نام	دوبارہ منتخب / ریٹائرڈ	اجلاس حاضری کی تعداد	درکار کل اجلاس حاضری کی تعداد
1	جناب فضل احمد	ریٹائرڈ	4	4
2	جناب نصیر احمد شاہ	دوبارہ منتخب	5	5
3	جناب مطلوب حسین	ریٹائرڈ	4	4
4	جناب شبیر احمد عابد	منتخب	1	1
5	جناب شاہد اقبال	منتخب	1	1

لسٹیڈ کمپنیوں کے تعمیلی بیان (کوڈ آف کارپوریٹ گورنس) ضابطہ 2017 اور کمپنیز ایکٹ 2017 کے تحت ساتھ منسلک ہے۔ پچھلے چھ سالوں کے تقابلی مالی اعداد و شمار کو بھی ڈائریکٹرز کی رپورٹ کے ساتھ منسلک کیا گیا ہے۔ پاکستان اسٹاک ایکسچینج ضابطہ کے تحت 30 جون 2019 تک کا شیئر ہولڈنگ کا نمونہ اور حصص یافتگان کے زمرے پر اکسی فارم کے ساتھ ساتھ منسلک کیا گیا ہے۔

آڈیٹرز

آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائرڈ ہو رہے ہیں اور اہل ہونے کے بعد انہوں نے دوبارہ تقرری کے لئے خود کو پیش کیا، آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے اگلے مالی سال کے لئے کمپنی کے آڈیٹر کے طور پر کی دوبارہ تقرری کی سفارش کی ہے۔

صحت، حفاظتی اور ماحولیاتی ذمہ داری

صحت، حفاظتی اور ماحولیاتی ذمہ داری ہماری بنیادی قدر ہے اور کمپنی معاشرے کی فلاح و بہبود اور ماحول کی بہتری کے لئے باقاعدگی سے اقدامات کرتی ہے۔ ہم صحت اور حفاظت سے متعلق آگاہی کے باقاعدہ پروگرام چلاتے رہتے ہیں۔ کمپنی نے اپنی فراہم مینوفیکچرنگ کی تمام سہولیات پر فائر فائٹنگ کا سامان اور گاڑیاں بھی فراہم کی ہیں، تعلیم یافتہ ٹیم کے ذریعہ ایک مرتب، کلینک / ڈسپنسری کا انتظام ہے۔ جہاں 24/7 ہنگامی خدمات کی جاتی ہیں ہم ماحولیاتی معیارات کے ساتھ اپنی پیداواری سہولت کی تعمیل کو بھی یقینی بناتے ہیں۔ CRS حکمت عملی ہے، ہمسایہ معاشروں اور اسٹیک ہولڈرز کے ساتھ طویل مدتی تعلقات استوار کرتا ہے۔ باہمی فائدہ مند ہونے والے رشتے کارپوریٹ ساکھ میں اضافہ کے ساتھ کمپنی کے کاروبار اور مصنوعات کے احترام میں اضافہ کرتے ہیں اور ایک مستقل مسابقتی فائدہ مہیا کرتے ہیں۔

اعتراف

انتظامیہ کمپنی کے اسٹیک ہولڈرز خاص طور پر حصص یافتگان، بینکروں اور اس کے صارفین کا شکریہ ادا کرتے ہیں کہ وہ اس کی مصنوعات اور خدمات پر مسلسل اعتماد کرتے ہیں انتظامیہ یہ بھی چاہتی ہے کی ان تمام ملازمین سے اظہار تشکیل کیا جائے جنہوں نے انتھک محنت کی ہے ہم ان کی محنت، وفاداری اور لگن کی تعریف کرتے ہیں۔

فیصل آباد 04 اکتوبر 2019 | ڈائریکٹر | ڈائریکٹر

SIX YEARS FINANCIAL RESULTS

(RUPEES IN THOUSAND)

	2019	2018	2017	2016	2015	2014
REVENUE	34,211,379	30,842,159	23,393,876	23,183,485	26,702,735	24,371,128
COST OF SALES	(30,417,532)	(26,990,855)	(20,008,592)	(19,971,238)	(22,988,317)	(20,435,316)
GROSS PROFIT	3,793,847	3,851,304	3,385,284	3,212,247	3,714,418	3,935,812
DISTRIBUTION COST	(2,449,678)	(2,063,381)	(1,478,067)	(1,396,012)	(1,472,973)	(1,159,311)
ADMINISTRATIVE EXPENSES	(697,674)	(549,235)	(480,722)	(472,516)	(477,492)	(443,232)
OTHER EXPENSES	(48,649)	(108,238)	(10,675)	(48,644)	(54,498)	(61,996)
OTHER INCOME	2,353,372	1,070,524	218,041	341,212	325,588	45,327
FINANCE COST	(1,203,112)	(896,395)	(640,673)	(718,568)	(1,002,893)	(1,142,456)
PROFIT BEFORE TAXATION	1,748,106	1,304,579	993,188	917,719	1,032,150	1,174,144

VISION STATEMENT

- A leading producer of textile products by providing the highest quality of products and services to its customers.
- To strive excellence through commitment, integrity, honesty and team work.
- Highly ethical company and be respected corporate citizen to continue playing due role in the social and environmental sectors of the company.
- To develop and extremely motivated and professional trained work force, which would drive growth through innovation and renovation.
- Sustained growth in earning in real terms.

MISSION STATEMENT

Our mission is to be a dynamic, profitable and growth oriented company by providing good return on investment to its shareholders and investors, quality products to its customers, a secured and friendly environment place of work to its employees and to project Pakistan's image in the international market.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company	Masood Textile Mills Limited
Year Ended	30 June 2019

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

1. The total number of directors are Seven (7) as per the following:
   a) Six (6) Male
   b) One (1) Female

2. The composition of board is as follows:

1) Mr. Shahid Nazir Ahmad	Executive Director
2) Mr. Shabir Ahmad Abid	Indepenent Director
3) Mr. Shahid Iqbal	Indepenent Director
4) Mr. Naseer Ahmad Shah	Non-Executive Director
5) Ms Chen Yan	Non-Executive Director
6) Mr. Shibin Yang	Non-Executive Director
7) Mr. Shoaib Ahmad Khan	Non-Executive Director

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

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

9. The Company stands complied with requirements of Director training program under CCG.
   Name of Director who obtained certificate of DTP / Exempted under the Regulations.

1) Mr. Shahid Nazir Ahmad	Executive
2) Mr. Naseer Ahmad Shah	Non Executive
3) Mr. Shabir Ahmad Abid	Independent
4) Mr. Shahid Iqbal	Independent

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

11. CFO and CEO duly endorsed the financial statements before approval of the board.

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

a) Audit Committee

i) Mr. Shabir Ahmad Abid	Chairman
ii) Mr. Naseer Ahmad Shah	Member
iii) Mr. Shahid Iqbal	Member

b) HR and Remuneration Committee

i) Mr. Shahid Iqbal	Chairman
ii) Mr. Shahid Nazir Ahmad	Member
iii) Mr. Shabir Ahmad Abid	Member

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

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

a) Audit Committee	Every Quarter
b) HR and Remuneration Committee	Once a year

15. The board has set up an effective internal audit function, which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Chairman   Director

Faisalabad:
04th October, 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Masood Textile Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Masood Textile Mills Limited ("the Company") for the year ended 30 June 2019 in accordance with the requirements of Regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 2019.

RIAZ AHMAD & COMPANY
Chartered Accountants

FAISALABAD

Date: 04 October, 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Masood Textile Mills limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Masood Textile Mills Limited ('the Company'), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the 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, 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 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 2019 and of the profit, other comprehensive loss, 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.

Following are the key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Inventory existence and valuation** Inventories as at 30 June 2019 amounting to Rupees 9,526.426 million represented a material position in the statement of financial position, break up of which is as follows: - Stores, spare parts and loose tools of Rupees 1,780.174 million - Stock in trade of Rupees 7,746.252 million The business is characterized by high volume serial production and the valuation and existence of inventories are significant to the business. Therefore, considered as one of the key audit matters. Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.6 to the financial statements. At year end, the valuation of inventories is reviewed by management and the cost of inventories is reduced where it is forecasted to be sold below cost. Usable stores, spare parts and loose tools are valued at moving average cost, raw materials	Our procedures over existence and valuation of inventory included, but were not limited to: • To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management. • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets. • We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice. • On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any. • In the context of our testing of the calculation, we analyzed individual cost components and traced

Sr. No.	Key audit matters	How the matters were addressed in our audit
	are valued at annual average basis whereas, costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulas and involves management judgment. The determination of whether inventories will be realized for a value less than cost requires management to exercise judgment and apply assumptions. Management undertake the following procedures for determining the level of write down required: • Use inventory ageing reports together with historical trends to estimate the likely future salability of slow moving and older inventory items. • Perform a line-by-line analysis of remaining inventories to ensure it is stated at the lower of cost and net realizable value and a specific write down is recognized, if required. For further information on inventories, refer to the following: - Summary of significant accounting policies, Inventories (Note 2.6 to the financial statements). - Stores, spare parts and loose tools (Note 17) and Stock in trade (Note 18) to the financial statements.	them back to the corresponding underlying documents. • We also made inquiries from management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required. • We also assessed the adequacy of the disclosures made in respect of the accounting policies and related notes to the financial statements.
2.	**Capital expenditure** The Company is investing significant amounts in its operations and there are a number of areas where management judgment impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among others, the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy. We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters. For further information, refer to the following: - Summaryof significant accounting policies, Property, Plant, Equipment and Deprecation (Note 2.5 to the financial statements). Property, Plant and Equipment (Note 14 to the financial statements).	Our procedures included, but were not limited to: • We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature. • We evaluated the appropriateness of capitalization policies and depreciation rates. • We performed tests of details on costs capitalized. • We verified the accuracy of management's calculation used for the impairment testing.

Sr. No.	Key audit matters	How the matters were addressed in our audit
3.	**Revenue recognition** The Company recognized revenue of Rupees 34,211.379 million for the year ended 30 June 2019. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets. For further information on revenue recognition, refer to the following: - Summary of significant accounting policies, Revenue recognition (Note 2.10 to the financial statements). - Revenue (Note 25 to the financial statements).	Our procedures included, but were not limited to: • We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue. • We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents. • We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period. • We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'. • We compared the detail of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. • We also considered the appropriateness of disclosures in the financial statements.

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

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our 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 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 and deposited in Central Zakat Fund established under section 7 of that Ordinance.

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

RIAZ AHMAD &COMPANY
Chartered Accountants
Faisalabad

Date: 04 October,2019

STATEMENT OF FINANCIAL

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
125 000 000 (2018: 125 000 000) ordinary shares of Rupees 10 each		1,250,000	1,250,000
60 000 000 (2018: 60 000 000) preference shares of Rupees 10 each		600,000	600,000
		1,850,000	1,850,000
Issued, subscribed and paid up share capital	3	986,666	986,666
Capital reserves			
Share premium	4	1,375,000	1,375,000
Redemption fund	4	128,333	128,333
Surplus on revaluation of freehold land		900,234	900,234
Revenue reserves	5	8,107,506	6,945,641
Total equity		11,497,739	10,335,874
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	4,299,484	4,650,568
Liabilities against assets subject to finance lease	7	21,701	6,816
Deferred liability for gratuity	8	770,256	724,353
		5,091,441	5,381,737
CURRENT LIABILITIES			
Trade and other payables	9	3,889,182	2,676,834
Unclaimed dividend		33,213	10,813
Accrued mark-up	10	257,624	191,768
Short term borrowings	11	14,280,366	11,962,878
Current portion of non-current liabilities	12	1,669,188	1,469,563
Provision for taxation		415,698	191,531
		20,545,271	16,503,387
TOTAL LIABILITIES		25,636,712	21,885,124
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		37,134,451	32,220,998

The annexed notes form an integral part of these 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 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**

POSITION AS AT 30 JUNE 2019

	NOTE	2019	2018
		(RUPEES IN	THOUSAND)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	11,162,527	10,028,337
Long term advances	15	660	1,814
Long term investment	16	476,076	-
Long term security deposits		75,511	47,110
		11,714,774	10,077,261
CURRENT ASSETS			
Stores, spare parts and loose tools	17	1,780,174	1,579,156
Stock in trade	18	7,746,252	5,810,871
Trade debts	19	10,708,309	9,276,084
Loans and advances	20	362,144	380,772
Short term deposits and prepayments	21	1,171,004	939,770
Other receivables	22	3,171,331	3,536,704
Short term investment	23	100,000	-
Cash and bank balances	24	380,463	620,380
		25,419,677	22,143,737
TOTAL ASSETS		37,134,451	32,220,998

CHIEF FINANCIAL OFFICER

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
REVENUE	25	34,211,379	30,842,159
COST OF SALES	26	(30,417,532)	(26,990,855)
GROSS PROFIT		3,793,847	3,851,304
DISTRIBUTION COST	27	(2,449,678)	(2,063,381)
ADMINISTRATIVE EXPENSES	28	(697,674)	(549,235)
OTHER EXPENSES	29	(48,649)	(108,238)
OTHER INCOME	30	2,353,372	1,070,524
FINANCE COST	31	(1,203,112)	(896,395)
PROFIT BEFORE TAXATION		1,748,106	1,304,579
TAXATION	32	(415,698)	(191,531)
PROFIT AFTER TAXATION		1,332,408	1,113,048
EARNINGS PER SHARE - BASIC (RUPEES)	33	19.24	16.11
- DILUTED (RUPEES)	33	17.70	15.18

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

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DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	(RUPEES IN THOUSAND)	
PROFIT AFTER TAXATION	1,332,408	1,113,048
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements arising on defined benefit obligation	(34,305)	18,821
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(34,305)	18,821
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,298,103	1,131,869

The annexed notes form an integral part of these 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 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**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	SHARE CAPITAL	RESERVES								TOTAL EQUITY
		CAPITAL				REVENUE			TOTAL	
		Share premium	Redemption fund	Surplus on revaluation of freehold land	Sub total	General	Unappropriated profit	Sub total		
	(RUPEES IN THOUSAND)									
Balance as at 30 June 2017	986,666	1,375,000	128,333	900,234	2,403,567	714,500	5,242,867	5,967,367	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 for the year	-	-	-	-	-	-	1,113,048	1,113,048	1,113,048	1,113,048
Other comprehensive income for the year	-	-	-	-	-	-	18,821	18,821	18,821	18,821
Total comprehensive income for the year	-	-	-	-	-	-	1,131,869	1,131,869	1,131,869	1,131,869
Balance as at 30 June 2018	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 2.10)	-	-	-	-	-	-	(7,201)	(7,201)	(7,201)	(7,201)
Adjustment on adoption of IFRS-9 (Note 2.12)	-	-	-	-	-	-	(2,293)	(2,293)	(2,293)	(2,293)
Adjusted total equity as at 01 July 2018	986,666	1,375,000	128,333	900,234	2,403,567	714,500	6,221,647	6,936,147	9,339,714	10,326,380
Transactions 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 year	-	-	-	-	-	-	1,332,408	1,332,408	1,332,408	1,332,408
Other comprehensive loss for the year	-	-	-	-	-	-	(34,305)	(34,305)	(34,305)	(34,305)
Total comprehensive income for the year	-	-	-		-	-	1,298,103	1,298,103	1,298,103	1,298,103
Balance as at 30 June 2019	986,666	1,375,000	128,333	900,234	2,403,567	714,500	7,393,006	8,107,506	10,511,073	11,497,739

The annexed notes form an integral part of these 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 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**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019	2018
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	1,464,793	59,936
Finance cost paid		(1,137,256)	(831,325)
Income tax paid		(356,556)	(310,868)
Dividend paid to ordinary shareholders		(78,850)	(117,745)
Dividend paid to preference shareholders		(25,494)	(25,470)
Gratuity paid		(221,501)	(70,946)
Net decrease in long term advances		1,154	6,335
Net (increase) / decrease in long term security deposits		(28,401)	277
Net cash used in operating activities		(382,110)	(1,289,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		55,327	64,395
Capital expenditure on property, plant and equipment		(1,966,936)	(2,410,596)
Investment made		(100,000)	-
Net cash used in investing activities		(2,011,609)	(2,346,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,049,138	1,044,867
Repayment of long term financing		(1,195,945)	(715,941)
Repayment of liabilities against assets subject to finance lease		(16,879)	(30,286)
Short term borrowings - net		2,317,488	3,054,930
Net cash from financing activities		2,153,802	3,353,570
NET DECREASE IN CASH AND CASH EQUIVALENTS		(239,917)	(282,436)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		620,380	902,816
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 24)		380,463	620,380

The annexed notes form an integral part of these 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 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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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.

Geographical locations and addresses of all business units (except for the registered office) of the Company are as follows:

Manufacturing Units	Address
Spinning, Knitting and dyeing units	32 Kilometers, Sheikhupura Road, Faisalabad
Spinning Unit	Satyana Road, Faisalabad
Stitching Unit	Sargodha Road, Faisalabad
Stitching Units	Nishatabad, Faisalabad
Stitching Unit	Chak Jhumra Road, Nishatabad, Faisalabad
Stitching Unit	Hajiabad, Sheikhupura Road, Faisalabad
Stitching Unit	Faisalabad Garments City Company,Khurrianwala, Faisalabad
Stitching Unit	Small Scale Industrial Estate, Faisalabad
Liason office	13-Kilometer, Bhubatian Chowk, Defence Road, Lahore
Liason office	Office No. 306 - 307, Gul Tower, I.I. Chundrigar Road, Karachi

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) 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 (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017.

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention, except for the following:

- Deferred liability for gratuity which is recognized on the basis of actuarial valuation at present value (Note 8).
- Freehold land grouped in operating fixed assets which is carried at fair value (Note 14.1).

c) **Critical accounting estimates and judgments**

The preparation of 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Deferred liability for gratuity

Certain actuarial assumptions have been adopted as disclosed in Note 8 to the financial statements for determination of present value of gratuity. Any change in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, patterns of economic benefits and impairments

The estimate for revalued amount of freehold land is based on valuation performed by external professional valuer and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. 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.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, based on the Company's experience of actual credit loss in past years.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

d) **Standards, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following standards, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 15 and IFRS 9. These are disclosed in Note 2.10 and Note 2.12 respectively. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretation and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretation and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard in the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in statement of other comprehensive income. The application of the amendments is not likely to have an impact on Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', relevant to the Company. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the IASB has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, de-recognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRSs. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 01 January 2020 for preparers that develop an accounting policy based on the Framework.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Staff retirement benefit

The Company operates an unfunded gratuity scheme for its permanent employees who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under this scheme is determined through actuarial valuation carried under Projected Unit Credit Method. Latest actuarial valuation has been carried on 30 June 2019. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of the benefit, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in Note 8.4 to these financial statements.

Remeasurements changes which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

2.3 Functional and presentation currency along with foreign currency transactions and translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.4 Taxation

Current

The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on other income is based on taxable income at the current rates after considering the rebates and tax credits available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.5 Property, plant, equipment and depreciation

a) Owned

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except freehold land which is stated at cost / revalued amount less any identified impairment loss. Capital work-in-progress is stated at cost less any identified impairment loss. Cost of property, plant and equipment signifies historical cost, revalued amount, borrowing cost pertaining to erection / construction period as referred in Note 2.7 and directly attributable cost of bringing the assets to working condition.

Increases in the carrying amounts arising on revaluation of freehold land are recognized, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the statement of profit or loss during the period they are incurred.

b) Leased – Finance Lease

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to the statement of profit or loss over the lease term.

Gain on sale and lease back of operating fixed assets is deferred and amortized over the lease term and loss on sale and lease back of operating fixed assets is recognized in the statement of profit or loss.

c) Leased – Operating Lease / ijarah contracts

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / ijarah contracts. Payments made under operating leases (net of any incentives received from the lessor and ijarah contracts) are charged to the statement of profit or loss on a straight line basis over the lease term.

d) Depreciation

Depreciation on property, plant and equipment is charged to income on reducing balance method at the rates given in Note 14.1 to write off the cost over their expected useful life. The Company charges depreciation on additions from the date when the asset is available for use and on deletions up to the date when asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

e) De-recognition

An item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is de-recognized.

2.6 Inventories

Inventories, except for stock in transit and waste stock / rags, are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spare parts and loose tools

Usable stores, spare parts and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. In transit stores, spare parts and loose tools are valued at cost comprising invoice value plus other charges paid thereon.

Stock in trade

Cost of raw materials, work-in-process and finished goods is determined as follows:

(I) For raw materials	- Annual average basis.
(ii) For work-in-process and finished goods	- Average manufacturing cost including a portion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock / rags are valued at net realizable value.

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

2.7 Borrowing cost

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

2.8 Provisions

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

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.10 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 recognize 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 as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. These are further elaborated hereunder:

I) Revenue recognition

Revenue is recognized 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 recognizes 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 recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized 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 recognized as deferred revenue in the form of a separate refund liability.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Related Government grant is recognized when there is reasonable assurance that Company will comply with the conditions attached to it and grant will be received.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized 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.

Other revenue

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

II) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

III) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

iv) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

Impacts of adoption of IFRS 15 on these financial statements as on 01 July 2018

Following adjustments were made to the amounts recognized in the financial statements at 01 July 2018:

Statement of financial position	30 June 2018 Reported	Adjustment	01 July 2018 Restated
	-------- Rupees in Thousand --------		
Current assets			
Stock in trade	5,810,871	50,928	5,861,799
Trade debts	9,276,084	(58,508)	9,217,576
Current liabilities			
Trade and other payables	2,676,834	(379)	2,676,455
Equity			
Reserves	6,945,640	(7,201)	6,938,439

2.11 Share capital

Ordinary and preference shares are classified as equity.

2.12 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 amortized 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 recognize 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.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i) **Recognition of financial instruments**

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii) **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 amortized cost, FVTPL and Fair Value Through Other Comprehensive Income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instrument

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into following measurement category:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

Financial liabilities

Classification and measurement

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities, and therefore there is no change in the classification and measurement of financial liabilities.

iii) **Impairment of financial assets**

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized 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 lifetime losses to be recognized from initial recognition of the receivables.

iv) De-recognition

Financial assets

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the 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 it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company de-recognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expired.

v) Offsetting of financial instruments

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

vi) Impacts of adoption of IFRS 9 on these 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**	**Amortized cost**
	(RUPEES IN THOUSAND)	
Opening balance (before reclassification)	10,113,516	
Adjustments due to adoption of IFRS 9:		
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortized Cost'	(10,113,516)	10,113,516
Recognition of expected credit losses on trade debts	-	(2,293)
Opening balance (after reclassification)	-	10,111,223

The impact of these changes on the Company's reserves and equity is as follows:

Reserves and equity - (01 July 2018)	**Effect on unappropriated profit**	**Effect on total equity**
	(RUPEES IN THOUSAND)	
Opening balance (before classification)	6,231,140	10,335,873
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts.	(2,293)	(2,293)
Opening balance (after reclassification)	6,228,847	10,333,580

2.13 Trade and other receivables

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

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.14 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.17 Dividend and transfer of reserves

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the board of directors.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its segments separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable operating segments: i) Spinning (Producing different qualities of yarn), ii) Knitting (Producing knitted fabric from yarn), iii) Processing and Garments (Processing of greige fabric for production of dyed and white fabric and manufacturing of variety of garments from processed fabric).

Transactions among the operating segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases are eliminated from the total.

2.19 Earnings per share

The Company presents basic and diluted Earnings per Share (EPS). Basic EPS is calculated by dividing profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit attributable to shareholders and the weighted average number of ordinary shares outstanding with the effects of all dilutive potential ordinary shares.

2.20 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.21 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019	2018		2019	2018
(NUMBER OF SHARES)			(RUPEES IN THOUSAND)	
67 500 000	67 500 000	Ordinary shares of Rupees 10 each fully paid in cash	675,000	675,000
31 166 668	31 166 668	Cumulative preference shares (non-voting) of Rupees 10 each fully paid in cash (Note 3.1)	311,666	311,666
98 666 668	98 666 668		986,666	986,666

3.1 The Company issued cumulative preference shares as at 30 June 2005, which are listed on Pakistan Stock Exchange Limited, to finance the working capital requirements and fixed capital expenditure.

Terms of redemption

a) Conversion option

Preference shareholders have the option to serve a notice to the Company to convert one third of the preference shares along with accumulated dividend into ordinary shares of the Company after the expiry of four years from the date of issuance in any conversion year at a discount of 15 percent to immediately preceding 30 calendar days' average market value. Upon receiving the conversion notice, the Company will have the option to repay the preference shares along with the accumulated dividend for which conversion notice has been issued within one month of receiving thereof or issue ordinary shares to preference shareholders.

b) Call option

The Company has the option to redeem the preference shares after four years of the issuance in part in multiples of 10 percent upto 100 percent from the preference shareholders. The call price would be Rupees 10 per share plus the entire accumulated preference share dividend, if any.

c) Rate of dividend

The preference dividend is payable at the average rate of six months KIBOR plus 2 percent per annum on cumulative basis. According to the terms of issuance, dividend to ordinary shareholders could only be paid after the payment of preference dividend to preference shareholders.

d) Sinking fund reserve

The Company has created a sinking fund reserve (capital redemption reserve fund) from the profits of the Company to make payments against any call option. The Company has built-up this sinking fund reserve to ensure that at the end of the fourth year from the issuance date, the reserve is equal to one third of the total amount of preference shares. This reserve account will subsequently be replenished to ensure that one third of the outstanding preference shares amount is available in the reserve account.

3.2 17 396 833 ordinary shares (2018: 17 396 833) of the Company are held by Shanghai Challenge Textile Company Limited - associated company.

	2019	2018
	(RUPEES IN THOUSAND)	
4. CAPITAL RESERVES		
Share premium (Note 4.1)	1,375,000	1,375,000
Capital redemption reserve fund (Note 4.2)	128,333	128,333
Surplus on revaluation of freehold land	900,234	900,234
	2,403,567	2,403,567

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

4.2 The Company has created this reserve from its profits to make payments against any call option of preference shares.

	2019	2018
5. REVENUE RESERVES		
General	714,500	714,500
Unappropriated profit	7,393,006	6,231,141
	8,107,506	6,945,641
6. LONG TERM FINANCING		
From banking companies - secured		
Long term loans (Note 6.1)	5,489,689	5,980,246
Diminishing musharika (Note 6.2)	468,750	125,000
	5,958,439	6,105,246
Less: Current portion shown under current liabilities (Note 12)	1,658,955	1,454,678
	4,299,484	4,650,568

6.1 Long term loans

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)					
Medium Term Loan / Demand Finances / Long Term Finances for Export Oriented Projects:						
MCB Bank Limited	-	263,019	3 Month KIBOR+1.50%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
National Bank of Pakistan	-	451,713	3 Month KIBOR+1.50%	This facility was completely repaid on 29 November 2018	Quarterly	First charge on specific machinery
National Bank of Pakistan	2,125,000	2,500,000	3 Month KIBOR+1.00%	Twenty quarterly installments starting from 22 September 2018 and ending on 22 June 2023	Quarterly	First joint pari passu charge over fixed assets of the Company and personal guarantee of Chief Executive Officer of the Company
National Bank of Pakistan	301,680	-	3 Month KIBOR+1.50%	Twenty quarterly installments starting from 10 March 2019 and ending on 10 December 2023	Quarterly	First joint pari passu charge over fixed assets of the Company
Standard Chartered Bank (Pakistan) Limited	600,000	800,000	6 Month KIBOR+1.25%	Ten equal semi annual installments starting from 31 July 2017 and ending on 31 January 2022	Semi Annually	Joint pari passu charge over fixed assets of the Company
Samba Bank Limited	234,375	375,000	6 Month KIBOR+1.50%	Sixteen quarterly installments starting from 30 September 2016 and ending on 30 June 2020	Quarterly	Pari passu charge on fixed assets
United Bank Limited	49,727	82,878	5.00%	Sixteen quarterly installments starting from 22 February 2017 and ending on 22 November 2020	Quarterly	First charge on specific machinery
United Bank Limited	20,073	28,103	5.00%	Sixteen quarterly installments starting from 31 December 2017 and ending on 30 September 2021	Quarterly	First charge on specific machinery
United Bank Limited	15,359	16,383	5.00%	Sixteen quarterly installments starting from 11 May 2019 and ending on 11 February 2023	Quarterly	First charge on specific machinery
United Bank Limited	4,847	5,170	5.00%	Sixteen quarterly installments starting from 30 March 2019 and ending on 30 December 2022	Quarterly	First charge on specific machinery
United Bank Limited	13,125	13,125	5.00%	Sixteen quarterly installments starting from 25 July 2019 and ending on 25 April 2023	Quarterly	First charge on specific machinery
United Bank Limited	9,526	9,526	5.00%	Sixteen quarterly installments starting from 27 August 2019 and ending on 27 May 2023	Quarterly	First charge on specific machinery
United Bank Limited	71,610	71,610	5.00%	Sixteen quarterly installments starting from 26 August 2019 and ending on 26 May 2023	Quarterly	First charge on specific machinery
United Bank Limited	2,237	2,237	5.00%	Sixteen quarterly installments starting from 05 September 2019 and ending on 05 June 2023	Quarterly	First charge on specific machinery
United Bank Limited	37,041	37,041	5.00%	Sixteen quarterly installments starting from 19 September 2019 and ending on 19 June 2023	Quarterly	First charge on specific machinery
United Bank Limited	7,871	7,871	5.00%	Sixteen quarterly installments starting from 20 September 2019 and ending on 20 June 2023	Quarterly	First charge on specific machinery
United Bank Limited	58,686	-	5.00%	Sixteen quarterly installments starting from 18 October 2019 and ending on 18 July 2023	Quarterly	First charge on specific machinery
United Bank Limited	27,750	-	5.00%	Sixteen quarterly installments starting from 28 November 2019 and ending on 28 August 2023	Quarterly	First charge on specific machinery
United Bank Limited	6,787	-	5.00%	Sixteen quarterly installments starting from 18 January 2020 and ending on 18 October 2023	Quarterly	First charge on specific machinery
United Bank Limited	61,650	-	5.00%	Sixteen quarterly installments starting from 08 March 2020 and ending on 08 January 2024	Quarterly	First charge on specific machinery
MCB Bank Limited	-	6,078	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
MCB Bank Limited	-	2,439	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
MCB Bank Limited	-	868	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
MCB Bank Limited	-	40,835	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
MCB Bank Limited	-	32,478	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
MCB Bank Limited	-	50,638	5.00%	This facility was completely repaid on 10 December 2018 by National Bank of Pakistan on account of the Company	Quarterly	First charge on specific machinery
The Bank of Punjab	1,660	2,490	5.00%	Seventeen quarterly installments starting from 12 July 2017 and ending on 12 April 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	1,724	2,587	5.00%	Seventeen quarterly installments starting from 05 August 2017 and ending on 05 May 2021	Quarterly	First charge on specific machinery

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)					
The Bank of Punjab	1,911	2,867	5.00%	Seventeen quarterly installments starting from 11 August 2017 and ending on 11 May 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	3,939	5,908	5.00%	Seventeen quarterly installments starting from 11 August 2017 and ending on 11 May 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	1,258	1,887	5.00%	Seventeen quarterly instalments starting from 08 September 2017 and ending on 08 June 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	795	1,113	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 30 October 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	1,118	1,565	5.00%	Eighteen quarterly instalments starting from 27 November 2017 and ending on 06 November 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	1,441	2,018	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 05 November 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	8,040	11,256	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 16 November 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	3,319	4,647	5.00%	Seventeen quarterly instalments starting from 28 November 2017 and ending on 05 December 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	20,490	28,686	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 14 December 2021	Quarterly	First charge on specific machinery
The Bank of Punjab	19,034	25,955	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 29 January 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	16,298	22,225	5.00%	Nineteen quarterly instalments starting from 28 November 2017 and ending on 27 February 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	32,991	44,987	5.00%	Eighteen quarterly instalments starting from 28 November 2017 and ending on 27 February 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	16,299	21,314	5.00%	Nineteen quarterly installments starting from 10 February 2018 and ending on 10 August 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	128,414	165,103	5.00%	Twenty quarterly installments starting from 14 March 2018 and ending on 14 December 2022	Quarterly	First charge on specific machinery
The Bank of Punjab	23,079	29,234	5.00%	Twenty quarterly installments starting from 21 April 2018 and ending on 21 January 2023	Quarterly	First charge on specific machinery
The Bank of Punjab	4,680	5,928	5.00%	Twenty quarterly installments starting from 12 May 2018 and ending on 12 February 2023	Quarterly	First charge on specific machinery
The Bank of Punjab	32,991	41,788	5.00%	Twenty quarterly installments starting from 06 June 2018 and ending on 06 March 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	12,924	19,386	5.00%	Sixteen quarterly installments starting from 01 October 2017 and ending on 01 July 2021	Quarterly	First charge on specific machinery
Askari Bank Limited	10,295	14,871	5.00%	Sixteen quarterly instalments starting from 04 December 2017 and ending on 04 September 2021	Quarterly	First charge on specific machinery
Askari Bank Limited	8,927	12,498	5.00%	Sixteen quarterly instalments starting from 01 January 2018 and ending on 01 November 2021	Quarterly	First charge on specific machinery
Askari Bank Limited	20,871	29,219	5.00%	Sixteen quarterly instalments starting from 01 February 2018 and ending on 01 November 2021	Quarterly	First charge on specific machinery
Askari Bank Limited	72,150	98,388	5.00%	Sixteen quarterly installments starting from 10 April 2018 and ending on 10 January 2022	Quarterly	First charge on specific machinery
Askari Bank Limited	17,006	22,675	5.00%	Sixteen quarterly installments starting from 18 August 2018 and ending on 18 May 2022	Quarterly	First charge on specific machinery
Askari Bank Limited	21,290	28,811	5.00%	Sixteen quarterly installments starting from 15 September 2018 and ending on 15 June 2022	Quarterly	First charge on specific machinery
Askari Bank Limited	3,816	5,088	5.00%	Sixteen quarterly installments starting from 20 September 2018 and ending on 20 June 2022	Quarterly	First charge on specific machinery
Askari Bank Limited	13,977	14,908	5.00%	Sixteen quarterly installments starting from 17 April 2019 and ending on 17 January 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	5,075	5,075	5.00%	Sixteen quarterly installments starting from 15 July 2019 and ending on 15 April 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	13,227	13,227	5.00%	Sixteen quarterly installments starting from 11 September 2018 and ending on 11 June 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	6,486	6,486	5.00%	Sixteen quarterly installments starting from 27 September 2019 and ending on 27 June 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	2,868	2,868	5.00%	Sixteen quarterly installments starting from 22 September 2019 and ending on 22 June 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	15,603	-	5.00%	Eighteen quarterly instalments starting from 26 August 2019 and ending on 26 November 2023	Quarterly	First charge on specific machinery
Askari Bank Limited	17,230	-	5.00%	Sixteen quarterly installments starting from 21 June 2020 and ending on 21 March 2024	Quarterly	First charge on specific machinery
Askari Bank Limited	33,087	-	5.00%	Sixteen quarterly installments starting from 20 June 2020 and ending on 21 March 2024	Quarterly	First charge on specific machinery

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)					
National Bank of Pakistan	88,014	113,160	5.00%	Twenty quarterly installments starting from 28 March 2018 and ending on 28 December 2022	Quarterly	First charge on specific machinery
National Bank of Pakistan	19,701	24,955	5.00%	Twenty quarterly installments starting from 08 April 2018 and ending on 08 January 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	14,805	18,753	5.00%	Twenty quarterly installments starting from 22 April 2018 and ending on 22 January 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	31,000	39,266	5.00%	Twenty quarterly installments starting from 30 April 2018 and ending on 30 January 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	10,634	13,470	5.00%	Twenty quarterly installments starting from 01 June 2018 and ending on 01 March 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	590	747	5.00%	Twenty quarterly installments starting from 12 June 2018 and ending on 12 March 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	9,210	11,666	5.00%	Twenty quarterly installments starting from 20 June 2018 and ending on 20 March 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	39,162	49,606	5.00%	Twenty quarterly installments starting from 26 June 2018 and ending on 26 March 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	48,879	61,099	5.00%	Twenty quarterly installments starting from 16 August 2018 and ending on 16 May 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	15,125	18,906	5.00%	Twenty quarterly installments starting from 24 August 2018 and ending on 24 May 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	31,042	36,862	5.00%	Twenty quarterly installments starting from 25 April 2018 and ending on 25 January 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	33,613	42,017	5.00%	Twenty quarterly installments starting from 03 July 2018 and ending on 03 April 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	10,575	13,219	5.00%	Twenty quarterly installments starting from 07 August 2018 and ending on 07 May 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	10,488	13,110	5.00%	Twenty quarterly installments starting from 29 August 2018 and ending on 29 May 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	6,340	7,924	5.00%	Twenty quarterly installments starting from 06 September 2018 and ending on 06 June 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	5,955	7,443	5.00%	Twenty quarterly installments starting from 14 September 2018 and ending on 14 June 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	13,577	15,973	5.00%	Twenty quarterly installments starting from 03 October 2018 and ending on 03 July 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	72,140	-	5.00%	Twenty quarterly installments starting from 05 December 2018 and ending on 05 September 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	65,755	-	5.00%	Twenty quarterly installments starting from 11 December 2018 and ending on 11 September 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	7,477	-	5.00%	Twenty quarterly installments starting from 21 February 2019 and ending on 21 November 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	3,105	-	5.00%	Twenty quarterly installments starting from 01 September 2018 and ending on 01 June 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	9,112	-	5.00%	Twenty quarterly installments starting from 15 December 2018 and ending on 15 September 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	59,663	-	5.00%	Twenty quarterly installments starting from 21 February 2019 and ending on 21 November 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	3,834	-	5.00%	Twenty quarterly installments starting from 04 October 2018 and ending on 04 July 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	2,900	-	5.00%	Nineteen quarterly installments starting from 25 October 2018 and ending on 25 April 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	38,334	-	5.00%	Twenty quarterly installments starting from 07 December 2018and ending on 07 September 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	85,589	-	5.00%	Twenty quarterly installments starting from 19 March 2019 and ending on 19 December 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	24,440	-	5.00%	Nineteen quarterly installments starting from 17 November 2018 and ending on 17 May 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	5,175	-	5.00%	Nineteen quarterly installments starting from 11 February 2019 and ending on 11 August 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	21,869	-	5.00%	Eighteen quarterly installments starting from 17 January 2019 and ending on 17 April 2023	Quarterly	First charge on specific machinery
National Bank of Pakistan	9,987	-	5.00%	Nineteen quarterly installments starting from 17 February 2019 and ending on 17 August 2023	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	84,715	-	5.00%	Sixteen quarterly installments starting from 12 May 2020 and ending on 14 February 2024	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	18,773	-	5.00%	Sixteen quarterly installments starting from 14 May 2020 and ending on 14 February 2024	Quarterly	First charge on specific machinery

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST PAYABLE	SECURITY
	(RUPEES IN THOUSAND)					
Habib Metropolitan Bank Limited	110,464	-	5.00%	Twenty quarterly installments starting from 28 May 2020 and ending on 28 February 2025	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	57,478	-	5.00%	Twenty quarterly installments starting from 22 June 2020 and ending on 22 March 2025	Quarterly	First charge on specific machinery
Habib Metropolitan Bank Limited	28,512	-	5.00%	Twenty quarterly installments starting from 07 July 2020 and ending on 07 April 2025	Quarterly	First charge on specific machinery
Pakistan Kuwait Investment Company (Private) Limited	56,324	-	5.00%	Sixteen quarterly installments starting from 03 August 2020 and ending on 03 May 2024	Quarterly	Ranking charge over present and future fixed assets and personal guarantee of Chief Executive Officer and some directors of the Company
Pakistan Kuwait Investment Company (Private) Limited	93,676	-	5.00%	Sixteen quarterly installments starting from 23 August 2020 and ending on 23 May 2024	Quarterly	Ranking charge over present and future fixed assets and personal guarantee of Chief Executive Officer and some directors of the Company
	5,489,689	5,980,246				

6.2 Diminishing Musharika:

Orix Modaraba	68,750	75,000	Base Rate+2.95%	Twenty four monthly installments starting from 30 May 2019 and ending on 30 April 2021	Monthly	First charge on specific machinery and personal guarantee of some directors
Orix Modaraba	50,000	50,000	Base Rate+2.95%	Twenty four monthly installments starting from 25 July 2019 and ending on 25 June 2021	Monthly	First charge on specific machinery and personal guarantee of some directors
Orix Modaraba	50,000	-	Base Rate+2.95%	Twenty four monthly installments starting from 28 July 2020 and ending on 28 June 2022	Monthly	First charge on specific machinery and personal guarantee of some directors
Meezan Bank Limited	300,000	-	3 Month KIBOR+1.50%	Twenty quarterly installments starting from 26 June 2020 and ending on 26 March 2025	Quarterly	First equitable charge over specific property
	468,750	125,000				

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019	2018
	(RUPEES IN THOUSAND)	
Future rentals and year during which they fall due are as under:		
2019	-	15,750
2020	12,413	6,924
2021	5,407	-
2022	5,407	-
2023	5,407	-
2024	8,652	-
	37,286	22,674
Less: Financial charges	5,352	973
Present value of minimum lease rental payments	31,934	21,701
Less: Current portion shown under current liabilities (Note 12)	10,233	14,885
	21,701	6,816

7.1 The value of minimum lease payments has been discounted using implicit interest rate of 7.70 percent to 12.99 percent per annum (2018: 7.50 percent to 8.50 percent per annum). Balance rentals are payable in monthly and quarterly installments. In case of default in any payment, an additional charge at the rate of 0.1 percent per day shall be paid. Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. Lease agreement is renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposits of Rupees 6.778 million (2018: Rupees 1.988 million) included in long term security deposits and Rupees 1.988 million (2018: Rupees 3.100 million) included in short term deposits and prepayments.

7.2 Minimum lease payments and their present values are regrouped as under:

	2019		2018	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
	----------(RUPEES IN THOUSAND)----------			
Future minimum lease payments	12,413	24,873	15,750	6,924
Less: Un-amortized finance charge	2,180	3,172	865	108
Present value of future minimum lease payments	10,233	21,701	14,885	6,816

		2019	2018
		(RUPEES IN THOUSAND)	
8.	**DEFERRED LIABILITY FOR GRATUITY**		
	Opening balance	724,353	609,886
	Add:		
	Provision for the year (Note 8.1)	239,202	211,782
	Remeasurement recognized in other comprehensive income (Note 8.2)	34,305	(18,821)
	Closing Balance	997,860	802,847
	Less:		
	Payments made during the year	(221,501)	(70,946)
	Increase in current liability - net	(6,103)	(7,548)
		(227,604)	(78,494)
		770,256	724,353
8.1	**Provision for the year:**		
	Current service cost	184,252	167,557
	Interest cost	54,950	44,225
		239,202	211,782
8.2	**Remeasurements recognized in other comprehensive income**		
	Actuarial gain from changes in financial assumptions	(8,252)	(2,039)
	Experience adjustment	42,557	(16,782)
		34,305	(18,821)

	2019	2018
	(RUPEES IN THOUSAND)	

8.3 Reconciliation of present value of defined benefit obligation as at 30 June is given below:

	2019	2018
Present value of defined benefit obligation as at 01 July	724,353	609,886
Current service cost	184,252	167,557
Interest cost	54,950	44,225
Benefits paid during the year	(221,501)	(70,946)
Increase in current liability - net	(6,103)	(7,548)
Remeasurements:		
Actuarial gain from changes in financial assumptions	(8,252)	(2,039)
Experience adjustment	42,557	(16,782)
	34,305	(18,821)
Present value of defined benefit obligation as at 30 June	770,256	724,353

8.4 Principal actuarial assumptions used

	2019	2018
Discount rate for interest cost in profit or loss charge (per annum)	9.00%	7.75%
Discount rate for year end obligation (per annum)	14.25%	9.00%
Expected rate of increase in salary (per annum)	13.25%	8.00%
Average duration of the benefit (years)	8	8
Mortality rates	SLIC 2001-05 set back 1 year	SLIC 2001-05 set back 1 year
Withdrawal rate	Age based	Age based
Retirement assumption	Age 60	Age 60

8.5 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation as at reporting date to changes in the weighted principal assumption is:

	2019	2018
Discount rate	1.00%	1.00%
Increase in assumption (Rupees in thousand)	(54,004)	(51,469)
Decrease in assumption (Rupees in thousand)	62,318	59,823
Future salary increase	1.00%	1.00%
Increase in assumption (Rupees in thousand)	60,208	57,613
Decrease in assumption (Rupees in thousand)	(52,931)	(50,300)

8.6 Expected Maturity Profile

Followings are the expected distribution and timing of benefit payments at year end:

Description	2019	2018
2019	-	133,467
2020	133,154	133,514
2021	149,415	122,961
2022	150,886	117,897
2023	147,669	111,763
2024 to 2028	797,947	553,963
2029 and onwards	20,511,580	6,261,129

8.7 **Amounts for the current and previous four years:**

	2019	2018	2017	2016	2015
	(RUPEES IN THOUSAND)				
Present value of defined benefit obligations	770,256	724,353	609,886	566,816	431,923
Remeasurement arising on defined benefit obligation	34,305	(18,821)	(17,798)	58,426	(19,014)

The sensitivity analysis is 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 plan to significant actuarial assumptions, the same method (present value of the defined benefit plan calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year except for certain changes as given in Note 8.4.

8.8 The estimated expenses to be charged to the statement of profit or loss for the year ending on 30 June 2020 are Rupees 309.855 million.

8.9 **Risk associated with the scheme**

Final salary risk

The risk that the final salary at the time of cessation of service is greater than what we 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.

Demographic risks

Mortality risk - The risk that the actual mortality experience is different then 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 withdrawl risk varies with the age, service and the entitled benefits of the beneficiary.

		2019	2018
		(RUPEES IN THOUSAND)	
9.	**TRADE AND OTHER PAYABLES**		
	Creditors	2,548,741	1,362,914
	Advances from customers	27,726	15,494
	Accrued liabilities	1,198,602	1,192,818
	Income tax deducted at source	17,581	12,969
	Sales tax deducted at source	47,205	23,943
	Workers' profit participation fund (Note 9.1)	49,327	68,696
		3,889,182	2,676,834
9.1	**Workers' Profit Participation Fund**		
	Balance as at 01 July	68,696	10,675
	Less: Adjustment on adoption of IFRS 15	379	-
		68,317	10,675
	Add: Provision for the year (Note 29)	47,579	68,696
	Interest for the year (Note 31)	2,127	653
		118,023	80,024
	Less: Payments during the year	68,696	11,328
	Balance as at 30 June	49,327	68,696

9.1.1 Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

		2019	2018
		(RUPEES IN THOUSAND)	

10. ACCRUED MARK-UP

	2019	2018
Long term financing	138,124	113,597
Liabilities against assets subject to finance lease	130	256
Short term borrowings	119,370	77,915
	257,624	191,768

11 SHORT TERM BORROWINGS - SECURED

These represent the finances obtained from banking companies which are secured by way of first, second and third equitable mortgage on fixed assets of the Company, first joint pari passu charge over current assets of the Company, pledge and personal guarantee of directors. Mark-up is paid at the rate ranging from 2.75% per annum to 15.62% per annum (2018: 2.75% per annum to 9.43% per annum) during the year on the balances outstanding. The sanctioned credit facilities are Rupees 15,955 million (2018: Rupees 13,645 million).

12. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2019	2018
Long term financing (Note 6)	1,658,955	1,454,678
Liabilities against assets subject to finance lease (Note 7)	10,233	14,885
	1,669,188	1,469,563

13. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Guarantees of Rupees 259.995 million (2018: Rupees 244.995 million) are 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 (2018: 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 30.880 million (2018: Rupees 9.429 million) and Rupees 24.017 million (2018: Rupees 20.118 million) respectively for the period from November 2017 has 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 31.703 million (2018: Rupees 7.413 million) are issued to SNGPL against GIDC. Company is confident of favorable outcome of the matters, on the advice of legal counsel.

iv) Provision for Government subsidy amounting to Rupees 84.511 million (2018: Rupees Nil) for the period from 01 March 2019 to 31 May 2019 on the gas bills issued by SNGPL has not been recognized in the books of account as the Company has obtained stay order form Lahore High Court, Lahore on 09 July 2019, subsequent to the reporting date. Post dated cheques of the same amount mentioned above are issued to SNGPL against subsidy. Company is confident of favorable outcome of this matter, on the advice of legal counsel.

b) Commitments

i) Contracts for capital expenditure are amounting to Rupees 372.627 million (2018: Rupees 267.754 million) and other than capital expenditure are of Rupees 1,445.969 million (2018: Rupees 830.887 million).

ii) Ijarah (operating lease) commitments - Company as lessee

The Company obtained vehicles under ijarah (operating lease) agreement. The lease terms are three to five years. The Company has given undertaking to purchase the leased vehicles on agreed purchase price at maturity.

The future aggregate minimum lease payments under ijarah (operating lease) are as follows:

	2019	2018
Not later than one year	37,542	27,863
Later than one year and not later than five years	93,902	43,200
	131,444	71,063

14. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Operating fixed assets		
-Owned (Note 14.1)	10,492,605	9,282,929
-Leased (Note 14.1)	59,627	59,848
Capital work-in-progress (Note 14.2)	610,295	685,560
	11,162,527	10,028,337

14.1 OPERATING FIXED ASSETS

	Owned: Freehold land	Owned: Buildings on freehold land	Owned: Plant and machinery	Owned: Electric and gas installations	Owned: Factory equipment	Owned: Telephone installations	Owned: Furniture and fixtures	Owned: Office equipment	Owned: Computer equipment	Owned: Vehicles	Owned: Total	Leased: Plant and machinery	Leased: Vehicles	Leased: Total
	(RUPEES IN THOUSAND)													
At 30 June 2017														
Cost / revalued amount	1,462,233	1,902,624	7,208,148	574,028	99,267	21,967	200,975	10,535	280,988	242,890	12,003,655	127,460	29,979	157,439
Accumulated depreciation	-	(456,336)	(2,962,188)	(236,655)	(57,901)	(16,609)	(121,850)	(4,462)	(194,404)	(156,843)	(4,207,248)	(35,285)	(14,132)	(49,417)
Net book value	1,462,233	1,446,288	4,245,960	337,373	41,366	5,358	79,125	6,073	86,584	86,047	7,796,407	92,175	15,847	108,022
Year ended 30 June 2018														
Opening net book value	1,462,233	1,446,288	4,245,960	337,373	41,366	5,358	79,125	6,073	86,584	86,047	7,796,407	92,175	15,847	108,022
Additions	-	208,839	1,690,672	139,342	13,670	673	79,320	598	39,027	25,783	2,197,924	-	-	-
Transfer:														
Cost	-	-	60,650	-	-	-	-	-	-	10,097	70,747	(60,650)	(10,097)	(70,747)
Accumulated depreciation	-	-	(24,466)	-	-	-	-	-	-	(6,070)	(30,536)	24,466	6,070	30,536
	-	-	36,184	-	-	-	-	-	-	4,027	40,211	(36,184)	(4,027)	(40,211)
Disposals:														
Cost	-	(36,004)	(50,477)	(15,339)	-	-	-	-	(66)	(33,687)	(135,573)	-	-	-
Accumulated depreciation	-	7,918	30,590	8,368	-	-	-	-	44	21,227	68,147	-	-	-
	-	(28,086)	(19,887)	(6,971)	-	-	-	-	(22)	(12,460)	(67,426)	-	-	-
Depreciation charge	-	(78,157)	(503,589)	(40,348)	(4,760)	(855)	(17,070)	(939)	(21,084)	(17,385)	(684,187)	(5,599)	(2,364)	(7,963)
Closing net book value	1,462,233	1,548,884	5,449,340	429,396	50,276	5,176	141,375	5,732	104,505	86,012	9,282,929	50,392	9,456	59,848
At 30 June 2018														
Cost / revalued amount	1,462,233	2,075,459	8,884,527	698,031	112,937	22,640	280,295	11,133	319,949	245,083	14,112,287	66,810	19,882	86,692
Accumulated depreciation	-	(526,575)	(3,435,187)	(268,635)	(62,661)	(17,464)	(138,920)	(5,401)	(215,444)	(159,071)	(4,829,358)	(16,418)	(10,426)	(26,844)
Net book value	1,462,233	1,548,884	5,449,340	429,396	50,276	5,176	141,375	5,732	104,505	86,012	9,282,929	50,392	9,456	59,848
Year ended 30 June 2019														
Opening net book value	1,462,233	1,548,884	5,449,340	429,396	50,276	5,176	141,375	5,732	104,505	86,012	9,282,929	50,392	9,456	59,848
Additions	-	304,754	1,443,598	149,504	12,891	1,597	57,009	514	38,770	35,584	2,042,201	-	27,112	27,112
Transfer:														
Cost	-	-	31,000	-	-	-	-	-	-	-	31,000	(31,000)	-	(31,000)
Accumulated depreciation	-	-	(12,282)	-	-	-	-	-	-	-	(12,282)	12,282	-	12,282
	-	-	18,718	-	-	-	-	-	-	-	18,718	(18,718)	-	(18,718)
Disposals:														
Cost	-	(1,016)	(133)	(7,129)	(123)	-	(21,067)	-	(1,850)	(17,206)	(48,524)	-	-	-
Accumulated depreciation	-	686	7	923	8	-	4,085	-	412	8,395	14,516	-	-	-
	-	(330)	(126)	(6,206)	(115)	-	(16,982)	-	(1,438)	(8,811)	(34,008)	-	-	-
Depreciation charge	-	(88,379)	(606,201)	(49,782)	(5,666)	(920)	(23,656)	(896)	(23,794)	(17,941)	(817,235)	(3,182)	(5,433)	(8,615)
Closing net book value	1,462,233	1,764,929	6,305,329	522,912	57,386	5,853	157,746	5,350	116,043	94,824	10,492,605	28,492	31,135	59,627
At 30 June 2019														
Cost / revalued amount	1,462,233	2,379,197	10,358,992	840,406	125,705	24,237	316,237	11,647	354,869	263,441	16,136,964	35,810	46,994	82,804
Accumulated depreciation	-	(614,268)	(4,053,663)	(317,494)	(68,319)	(18,384)	(158,491)	(6,297)	(238,826)	(168,617)	(5,644,359)	(7,318)	(15,859)	(23,177)
Net book value	1,462,233	1,764,929	6,305,329	522,912	57,386	5,853	157,746	5,350	116,043	94,824	10,492,605	28,492	31,135	59,627
Annual rate of depreciation (%)	-	5	10	10	10	15	15	15	20	20		10	20	

14.1.1 Value of freehold land of the Company has been certified as at 30 June 2019 by an independent valuer on the amount determined by the independent valuer on 30 June 2016, using market value method and stated in Note 14.1 at appreciated value. Previously, it was revalued by an independent valuer as at 28 June 2013, 30 June 2007 and 30 September 1995. Had there been no revaluation, the value of freehold land would have been lower by Rupees 900.234 million (2018: Rupees 900.234 million). The book value of freehold land on cost basis is Rupees 561.999 million (2018: Rupees 561.999 million).

14.1.2 Depreciation charge for the year has been allocated as follows:

	2019	2018
	(RUPEES IN THOUSAND)	
Owned:		
Cost of sales (Note 26)	750,028	626,854
Distribution cost (Note 27)	725	645
Administrative expenses (Note 28)	66,482	56,688
	817,235	684,187
Leased:		
Cost of sales (Note 26)	3,182	5,599
Distribution cost (Note 27)	1,110	1,050
Administrative expenses (Note 28)	4,323	1,314
	8,615	7,963
	825,850	692,150

14.1.3 Particulars of immovable properties (i.e. land and buildings) in the name of the Company are as follows:

Particulars	Location	Area	Covered Area
		Acres	Sq. ft.
Apparel Unit	Sargodha Road, Faisalabad	2.56	175,936 *
Spinning, Knitting and Dyeing Units	32- KM, Sheikhupura Road, Faisalabad	96.40	1,696,636
Spinning Unit	Satyana Road, Faisalabad	1.50	35,114
Office	New Civil Lines, Bilal Road, Faisalabad	0.225	52,484 *
Office	Regency Plaza, Mall Road, Faisalabad	-	3,654 **

* Covered area at these locations consists of multi-storey buildings.

** Covered area at this location consists of building only, because of multi-storey plaza.

14.1.4 Forced sales value of freehold land as per the latest certification given by the independent valuer as at 30 June 2019 was Rupees 1,242.899 million.

14.1.5 Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed of during the year is as follows:

Description	Cost	Accumulated Depreciation	Net Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	-----------(RUPEES IN THOUSAND)-----------						
Vehicles							
Honda - Civic FD-14-725	743	32	711	1,095	384	Company's Policy	Mr. Kamal Anjum, WAPDA Town, Faisalabad. (Company's employee)
Toyota - Corolla Axio FD-15-78	1,268	133	1,135	1,064	(71)	Negotiation	Mr. Muhammad Jafar Naveed, Chak No. 70 J/B, Faisalabad .
Toyota - Corolla FD-15-455	769	86	683	1,476	793	Company's Policy	Mr. Amir Saif, Johar Town, Lahore. (Company's employee)
Toyota - Land Cruiser BW-075	1,168	237	931	8,800	7,869	Negotiation	Mr. Malik Muhammad Mateen, Sector E-7, Islamabad .

		2019	2018
		(RUPEES IN THOUSAND)	
14.2	**CAPITAL WORK-IN-PROGRESS**		
	Buildings on freehold land	24,082	242,947
	Plant and machinery	131,302	146,477
	Advances against purchase of land	65,688	55,688
	Advances against purchase of machinery	389,223	240,448
		610,295	685,560

14.3 Borrowing cost of Rupees 5.793 million (2018: Rupees 5.753 million) was capitalized during the year using the capitalization rate of 5.00% to 15.45% per annum (2018: 5.00% to 8.89% per annum).

15.	**LONG TERM ADVANCES**		
	Considered good - secured		
	Executives (Note 15.1)	2,570	3,850
	Other employees	646	274
		3,216	4,124
	Less : Current portion shown under current assets (Note 20)	2,556	2,310
		660	1,814

15.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 3.675 million (2018: Rupees 12.050 million).

15.2 These include the interest free advances given to Company's executives and other employees recoverable in equal monthly installments and secured against the gratuity payable of these employees.

15.3 The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments: Recognition and Measurement' arising in respect of advances to employees is not considered material and hence not recognized.

16.	**LONG TERM INVESTMENT**		
	Debt instrument		
	At amortized cost		
	Sales Tax refund bonds (Note 16.1)		
	4 756 (2018: Nil) bonds of Rupees 100,000 each	475,600	-
	Add: Accrued interest (Note 30)	476	-
		476,076	-

16.1 These represent investment in sales tax refund bonds issued by Federal Board of Revenue (FBR) Refund Settlement Company Limited, under section 67A of Sales Tax Act, 1990 against sales tax refund payment orders issued in favour of the Company. These bonds have maturity period of 3 years and are carried at amortized cost using effective interest rate of 9.14% per annum.

17.	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores (Note 17.1)	1,407,626	1,169,524
	Spare parts (Note 17.2)	367,880	405,102
	Loose tools	4,668	4,530
		1,780,174	1,579,156

17.1 These include stores in transit of Rupees 227.046 million (2018: Rupees 225.761 million)

17.2 These include spare parts in transit of Rupees 11.874 million (2018: Rupees 6.242 million)

	2019	2018
	(RUPEES IN THOUSAND)	

18. STOCK IN TRADE

	2019	2018
Raw materials (Note 18.1 and Note 18.2)	2,257,744	1,783,689
Work-in-process (Note 18.3)	2,225,565	1,913,300
Finished goods (Note 18.4)	3,262,943	2,113,882
	7,746,252	5,810,871

18.1 These include stock in transit of Rupees 2.964 million (2018: 31.223 million)

18.2 These include stock of Rupees 192.368 million (2018: Rupees 105.381 million) sent to third parties for conversion.

18.3 These include stock of Rupees 331.315 million (2018: Rupees 84.775 million) sent to third parties for processing.

18.4 These include stock of Rupees 6.913 million (2018: Rupees 59.949 million) sent to third parties for processing.

18.5 Stock in trade includes stocks amounting to Rupees 105.630 million (2018: Rupees 129.016 million) valued at net realizable value.

19. TRADE DEBTS

	2019	2018
Considered good:		
Secured (against letters of credit)	703,110	699,029
Unsecured:		
Related party (Note 19.1)	865,330	-
Others - against contract	9,204,575	8,638,398
	10,069,905	8,638,398
	10,773,015	9,337,427
Less: Allowance for expected credit losses (Note 19.3)	64,706	61,343
	10,708,309	9,276,084

19.1 As at 30 June 2019, trade debts due from the related party were from Challenge Apparels Limited .

19.2 The maximum aggregate amount due from the related party, Challenge Apparels Limited at the end of any month during the year was Rupees 865.330 million (2018: Rupees Nil).

19.3 Allowance for expected credit losses

	2019	2018
Opening balance	61,343	24,832
Add:		
Recognized as on 01 July 2018	2,293	-
Recognized during the year (Note 29)	1,070	36,511
Closing balance	64,706	61,343

20. LOANS AND ADVANCES

	2019	2018
Considered good:		
Employees - Interest free:		
Against expenses	17,795	27,020
Against salary	33,723	49,200
	51,518	76,220
Current portion of long term advances (Note 15)	2,556	2,310
Advances to suppliers	308,070	302,242
	362,144	380,772

		2019	2018
		(RUPEES IN THOUSAND)	
21.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Letters of credit	4,071	4,308
	Prepayments	29,277	2,605
	Margin deposits	113,974	73,034
	Security deposits including current portion	29,507	30,673
	Income tax	994,175	829,150
		1,171,004	939,770
22.	**OTHER RECEIVABLES**		
	Considered good:		
	Sales tax refundable	1,192,474	1,226,801
	Export rebate	485,729	436,986
	Duty draw back claims	1,483,359	1,836,295
	Others	9,769	36,622
		3,171,331	3,536,704

23. SHORT TERM INVESTMENT

These represent investment in Term Finance Certificates (TFCs) issued by Habib Bank Limited at the profit rate of 3 Month KIBOR+1.60% per annum (2018: Nil).

		2019	2018
24.	**CASH AND BANK BALANCES**		
	With banks :		
	On current accounts	225,553	9,742
	On saving accounts including US$ 61,387 (2018: US$ 61,279) (Note 24.1)	152,694	608,501
		378,247	618,243
	Cash in hand	2,216	2,137
		380,463	620,380

24.1 Rate of profit on saving accounts ranges from 2.40% to 10.75% (2018: 2.40% to 5.85%) per annum.

		2019	2018
25.	**REVENUE**		
	Local sales	2,773,329	1,751,860
	Export sales	29,753,822	28,060,574
	Waste sales	416,529	559,224
	Knitting / dyeing income	1,311,382	530,003
		34,255,062	30,901,661
	Less: Sales tax	43,683	59,502
		34,211,379	30,842,159
26.	**COST OF SALES**		
	Raw materials consumed	13,943,741	11,253,192
	Salaries, wages and other benefits	5,073,027	4,901,368
	Staff retirement benefit	174,262	170,006
	Fuel and power	1,895,616	1,648,245
	Dyes and chemicals consumed	2,458,103	1,590,329
	Stores, spare parts and loose tools consumed	848,828	701,562
	Packing materials and other charges	2,647,755	2,747,913
	Outside knitting, dyeing and CMT charges	1,766,931	1,345,854
	Repair and maintenance	693,753	566,558
	Insurance	137,389	85,341
	Other factory overheads (Note 26.1)	1,435,315	1,017,931
	Depreciation - owned assets (Note 14.1.2)	750,028	626,854
	Depreciation - leased assets (Note 14.1.2)	3,182	5,599
		31,827,930	26,660,752

	2019	2018
	(RUPEES IN THOUSAND)	
Work-in-process:		
Opening stock	1,913,300	1,471,451
Closing stock	(2,225,565)	(1,913,300)
	(312,265)	(441,849)
Cost of goods manufactured	31,515,665	26,218,903
Finished goods:		
Opening stock (Note 26.2)	2,164,810	2,885,834
Closing stock	(3,262,943)	(2,113,882)
	(1,098,133)	771,952
	30,417,532	26,990,855

26.1 This includes ijarah (operating lease) rentals amounting to Rupees 17.047 million (2018: Rupees 23.618 million) of vehicles.

26.2 This includes the impact of adjustment on adoption of IFRS 15 amounting to Rupees 50.928 million.

27. DISTRIBUTION COST

	2019	2018
Salaries and other benefits	147,943	117,820
Staff retirement benefit	16,234	8,551
Commission to selling agents	1,001,855	985,583
Insurance	10,048	8,190
Travelling and conveyance	41,649	36,004
Vehicles' running	9,975	8,914
Printing and stationery	590	554
Communication	27,436	21,645
Outward freight and distribution	1,192,113	874,425
Depreciation - owned assets (Note 14.1.2)	725	645
Depreciation - leased assets (Note 14.1.2)	1,110	1,050
	2,449,678	2,063,381

28. ADMINISTRATIVE EXPENSES

	2019	2018
Salaries and other benefits	410,923	322,089
Staff retirement benefit	48,706	33,225
Rent, rates and taxes (Note 28.1)	29,808	21,181
Travelling and conveyance	23,267	20,282
Entertainment	9,968	9,706
Repair and maintenance	4,454	3,034
Vehicles' running	21,232	19,474
Printing and stationery	7,769	7,838
Communication	17,619	16,998
Legal and professional	2,132	2,237
Newspapers and periodicals	139	72
Electricity and sui gas	13,824	12,781
Auditors' remuneration (Note 28.2)	3,710	2,610
Subscription and fee	9,971	4,256
Advertisement	5,030	2,521
Insurance	18,069	12,616
Miscellaneous	248	313
Depreciation - owned assets (Note 14.1.2)	66,482	56,688
Depreciation - leased assets (Note 14.1.2)	4,323	1,314
	697,674	549,235

28.1 This includes ijarah (operating lease) rentals amounting to Rupees 9.653 million (2018: Rupees 5.101 million) of vehicles.

		2019	2018
		(RUPEES IN THOUSAND)	
28.2	**Auditors' remuneration**		
	Annual audit fee	3,000	2,000
	Half yearly review fee	450	350
	Other certifications	175	175
	Reimbursable expenses	85	85
		3,710	2,610
29.	**OTHER EXPENSES**		
	Loss on sale of property, plant and equipment	-	3,031
	Allowance under expected credit losses (Note 19.3)	1,070	36,511
	Workers' profit participation fund (Note 9.1)	47,579	68,696
		48,649	108,238
30.	**OTHER INCOME**		
	Income from financial assets		
	Profit on deposits with banks and TFCs	42,500	37,273
	Interest income on sales tax refund bonds (Note 16)	476	-
	Net exchange gain	2,248,190	1,004,105
		2,291,166	1,041,378
	Income from non-financial assets		
	Sale of stores and scrap	4,935	11,931
	Gain on sale of property, plant and equipment	21,319	-
	Others	35,952	17,215
		62,206	29,146
		2,353,372	1,070,524
31.	**FINANCE COST**		
	Mark-up on:		
	Long term financing	494,125	406,448
	Short term borrowings	550,015	367,884
	Liabilities against assets subject to finance lease	3,085	1,635
	Interest on workers' profit participation fund (Note 9.1)	2,127	653
	Bank charges and commission	153,760	119,775
		1,203,112	896,395
32.	**TAXATION**		
	Current (Note 32.1)	416,293	204,501
	Prior year adjustments	(595)	(12,970)
		415,698	191,531

32.1 The Company falls in the ambit of final tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision for tax on other income is made at current tax rates after considering the rebates and tax credits, if any, and accumulated tax losses. This amount includes super tax of Rupees 25.875 million (2018: Rupees 28.031 million) imposed for rehabilitation of temporarily displaced persons under section 4B and tax on undistributed profits under section 5A of the Income Tax Ordinance, 2001. No provision for deferred taxation is required due to final tax on exports. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax on export.

33. EARNINGS PER SHARE

		2019	2018
Basic earnings per share			
Profit after taxation	**(Rupees in thousand)**	1,332,408	1,113,048
Dividend on preference shares	**(Rupees in thousand)**	(33,986)	(25,494)
		1,298,422	1,087,554
Weighted average number of ordinary shares	**(Numbers)**	67 500 000	67 500 000
Earnings per share - Basic	**(Rupees)**	19.24	16.11
Diluted earnings per share			
Profit after taxation	**(Rupees in thousand)**	1,332,408	1,113,048
Dividend on preference shares	**(Rupees in thousand)**	(33,986)	(25,494)
		1,298,422	1,087,554
Weighted average number of shares	**(Numbers)**	73 369 484	71 628 664
Earnings per share - Diluted	**(Rupees)**	17.70	15.18

34. CASH GENERATED FROM OPERATIONS

	2019	2018
	(RUPEES IN THOUSAND)	
Profit before taxation	1,748,106	1,304,579
Adjustments for non-cash charges and other items:		
Depreciation	825,850	692,150
Provision for gratuity	239,202	211,782
Allowance for expected credit losses	1,070	36,511
(gain)/Loss on sale of property, plant and equipment	(21,319)	3,031
Interest income on sales tax refund bonds	(476)	-
Finance cost	1,203,112	896,395
Working capital changes (Note 34.1)	(2,530,751)	(3,084,512)
	1,464,793	59,936

32.1 **Working capital changes**

(Increase) / decrease in current assets	2019	2018
	(RUPEES IN THOUSAND)	
Stores, spare parts and loose tools	(201,018)	(266,901)
Stock in trade	(1,884,453)	1,105,640
Trade debts	(1,494,096)	(3,693,881)
Loans and advances	18,628	(26,249)
Short term deposits and prepayments	(66,209)	(46,231)
Other receivables	(110,227)	(864,624)
	(3,737,375)	(3,792,246)
Increase in trade and other payables	1,206,624	707,734
	(2,530,751)	(3,084,512)

34.2 Reconciliation of movements of liabilities to cash flows from financing activities:

	Long term financing	Short term borrowings	Liabilities against assets subject to finance lease	Total
	(RUPEES IN THOUSAND)			
Balance as at 01 July 2018	6,105,246	11,962,878	21,701	18,089,825
Financing obtained	1,049,138	-	-	1,049,138
Short term borrowings obtained - net	-	2,317,488	-	2,317,488
Repayment of financing / finance lease	(1,195,945)	-	(16,879)	(1,212,824)
Balance as at 30 June 2019	5,958,439	14,280,366	4,822	20,243,627

35. **EVENTS AFTER THE REPORTING PERIOD**

35.1 Board of Directors of the Company has proposed a cash dividend for the ordinary shareholders of the Company for the year ended 30 June 2019 amounting to Rupees 1.50 (2018: Rupees 1.50) per share and preference dividend for the preference shareholders of the Company amounting to Rupees 1.09 (2018: Rupees 0.82) per share at their meeting held on 04 October 2019. However, these events have been considered as non-adjusting events under IAS-10 'Events after the Reporting Period' and have not been recognized in these financial statements.

35.2 The Board of Directors of the Company in their meeting held on 09 April 2019 has decided to raise fund to meet its working capital requirements to the extent of Rupees 5,000 million by way of Sukuk issue. However the proceedings of issuance of Sukuk and making related arrangements are under process

36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

Aggregate amount charged in these financial statements for remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

DESCRIPTION	2019			2018		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	(RUPEES IN THOUSAND)					
Managerial remuneration	4,000	882	120,924	4,000	1,451	73,259
Allowances						
House rent	1,600	353	48,370	1,600	580	29,304
Other allowances	400	88	12,092	400	145	7,326
	6,000	1,324	181,386	6,000	2,176	109,889
Number of persons	1	2	54	1	2	38

36.1 The Chief Executive Officer, some of the directors and some of the executives are provided free use of Company maintained vehicles.

36.2 Meeting fee amounting to Rupees 0.210 million (2018: Rupees 0.120 million) has been paid to six directors (2018: three directors).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019	2018
	(RUPEES IN THOUSAND)	
Associated companies		
Shanghai Challenge Textile Company Limited		
Dividend paid	-	30,444
Challenge Apparels Limited		
Sale of Goods and services (Note 37.2)	786,497	-
Other related parties		
Dividend paid	2,485	2,899

37.1 Shanghai Challenge Textile Company Limited (SCTCL) is the associated company due to 25.77% shareholding in the Company. SCTCL is incorporated in China.

37.2 Challenge Apparels Limited (CAL) has become the associated company due to the common directorship on 27 October 2018. These transactions were occurred after the Company has become associated company to CAL.

37.3 Detail of compensation to key management personnel comprising of Chief Executive Officer, Directors and Executives is disclosed in Note 36.

			2019	2018
38.	**NUMBER OF EMPLOYEES**			
	Number of employees as on 30 June		14 161	13 890
	Average number of employees during the year		13 991	15 106

			2019	2018
			(FIGURES IN THOUSAND)	
39.	**PLANT CAPACITY AND ACTUAL PRODUCTION**			
	SPINNING			
	Production at normal capacity converted to 20s count based on three shifts per day	(Kgs.)	5 541	5 387
	Actual production converted to 20s count based on three shifts per day	(Kgs.)	5 121	4 811
	KNITTING			
	Production at normal capacity based on three shifts per day	(Kgs.)	47 555	45 517
	Actual production based on three shifts per day	(Kgs.)	27 668	23 924
	DYEING / FINISHING			
	Production at normal capacity on reactive dyeing basis at three shifts per day	(Kgs.)	45 525	41 004
	Actual production converted on reactive dyeing basis at three shifts per day	(Kgs.)	26 234	22 683
	GARMENTS			
	Production at normal capacity of normal / average garments capacity based on single shift per day	(Dzn.)	5 239	6 291
	Actual production of normal / average garments capacity basis on single shift per day	(Dzn.)	3 154	3 985

39.1 REASONS FOR LOW PRODUCTION

Under utilization of available capacity is due to normal maintenance. Knitting machines are available for different types of fabric for which orders are based on seasonal basis resulting under utilization of actual knitting capacity.

40 SEGMENT INFORMATION

	Spinning		Knitting		Processing & Garments		Elimination of inter-segment transactions		Total-Company	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(RUPEES IN THOUSAND)									
Revenue										
External	1,403,980	1,377,947	440,269	135,914	32,367,130	29,328,298	-	-	34,211,379	30,842,159
Intersegment	2,327,938	1,880,917	13,946,291	10,714,213	20,557	17,134	(16,294,786)	(12,612,264)	-	-
	3,731,918	3,258,864	14,386,560	10,850,127	32,387,687	29,345,432	(16,294,786)	(12,612,264)	34,211,379	30,842,159
Cost of sales	(3,615,708)	(3,158,225)	(13,999,981)	(10,539,395)	(29,096,629)	(25,905,499)	16,294,786	12,612,264	(30,417,532)	(26,990,855)
Gross profit	116,210	100,639	386,579	310,732	3,291,058	3,439,933	-	-	3,793,847	3,851,304
Distribution cost	(49,918)	(44,436)	(166,128)	(126,729)	(2,233,632)	(1,892,216)	-	-	(2,449,678)	(2,063,381)
Administrative expenses	(42,287)	(36,186)	(132,419)	(102,564)	(522,968)	(410,485)	-	-	(697,674)	(549,235)
	(92,205)	(80,622)	(298,547)	(229,293)	(2,756,600)	(2,302,701)	-	-	(3,147,352)	(2,612,616)
Profit before taxation and unallocated income and expenses	24,005	20,017	88,032	81,439	534,458	1,137,232	-	-	646,495	1,238,688
Unallocated income and expenses:										
Other expenses									(48,649)	(108,238)
Other income									2,353,372	1,070,524
Finance cost									(1,203,112)	(896,395)
Taxation									(415,698)	(191,531)
Profit after taxation									1,332,408	1,113,048

40.1 Reconciliation of reportable segment assets and liabilities

	Spinning		Knitting		Processing & Garments		Total-Company	
	2019	2018	2019	2018	2019	2018	2019	2018
	(RUPEES IN THOUSAND)							
Segment assets	1,814,247	1,613,093	2,697,990	2,590,938	16,176,717	13,224,089	20,688,954	17,428,120
Unallocated assets							16,445,497	14,792,878
Total assets as per statement of financial position							37,134,451	32,220,998
Segment liabilities	190,053	109,893	1,322,025	562,085	3,438,197	2,933,614	4,950,275	3,605,592
Unallocated liabilities							20,686,437	18,279,532
Total liabilities as per statement of financial position							25,636,712	21,885,124

40.2 Geographical Information

40.2.1 The Company's revenue from external customers by geographical location is detailed below:

	Spinning		Knitting		Processing & Garments		Total-Company	
	2019	2018	2019	2018	2019	2018	2019	2018
	(RUPEES IN THOUSAND)							
America and Canada	-	9,057	-	-	19,866,338	15,622,039	19,866,338	15,631,096
Europe	-	-	-	-	8,040,328	9,120,389	8,040,328	9,120,389
Asia, Africa and Australia	227,322	387,615	-	-	1,619,834	2,921,474	1,847,156	3,309,089
Pakistan	1,183,057	981,275	440,269	135,914	2,834,231	1,664,396	4,457,557	2,781,585
	1,410,379	1,377,947	440,269	135,914	32,360,731	29,328,298	34,211,379	30,842,159

40.2.2 All non-current assets of the Company as at reporting date are located and operating in Pakistan.

40.3 Revenue from major customers

Revenue from major customers of the Company's Garments segment includes two customers (2018: four) representing Rupees 12,569 million (2018: Rupees 16,667 million). Revenue from other segments of the Company does not include any major customer.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2019	2018
Cash at banks - USD	61,387	61,279
Trade debts - USD	56,922,240	68,101,371
Trade debts - Euro	531,976	76,845
Trade and other payable - USD	(591,635)	(33,556)
Net exposure - USD	56,391,992	68,129,094
Net exposure - Euro	531,976	76,845

Following significant exchange rates were applied during the year:

	2019	2018
Rupees per US Dollar		
Average rate	135.86	109.74
Reporting date rate	159.75	121.40
Rupees per Euro		
Average rate	154.95	131.10
Reporting date rate	178.00	141.33

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 427.909 million (2018: Rupees 392.886 million) and Rupees 4.498 million (2018: Rupees 0.516 million) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease, short term borrowings, sales tax refund bonds, term finance certificates and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	(RUPEES IN THOUSAND)	
Fixed rate instruments		
Financial assets		
Sales tax refund bonds	475,600	-
Financial liabilities		
Long term financing	2,228,634	1,590,514
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	152,694	608,501
Term finance certificates	100,000	-
Financial liabilities		
Long term financing	3,729,805	4,514,732
Liabilities against assets subject to finance lease	31,934	21,701
Short term borrowings	14,280,366	11,962,878

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 168.999 million (2018: Rupees 150.963 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming that amounts of liabilities outstanding at reporting date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Investments	576,076	-
Trade debts	10,711,672	9,276,084
Loans and advances	36,939	53,324
Deposits	205,038	127,106
Other receivables	9,769	36,622
Bank balances	378,247	618,243
	11,917,741	10,111,379

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The external credit rating of Company's bankers is given below:

	Rating			2019	2018
	Short term	Long term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	34,646	247,009
Allied Bank Limited	A1+	AA+	PACRA	106	103
Askari Bank Limited	A1+	AA+	PACRA	41,986	17,908
Bank Alfalah Limited	A1+	AA+	PACRA	621	44
First Women Bank Limited	A2	A-	PACRA	24,715	1,348
Habib Bank Limited	A-1+	AAA	VIS	27,685	20,487
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	80,204	139,498
Bank Al-Habib Limited	A1+	AA+	PACRA	5,925	6,508
MCB Bank Limited	A1+	AAA	PACRA	20,223	14,961
The Bank of Punjab	A1+	AA	PACRA	3,434	27,435
Dubai Islamic Bank Pakistan Limited	A-1+	AA	VIS	5,085	3,040
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	897	719
United Bank Limited	A-1+	AAA	VIS	38,119	21,555
AlBaraka Bank (Pakistan) Limited	A1	A	PACRA	1,411	1,553
Summit Bank Limited *	N/A	N/A	VIS	2,524	65,955
Soneri Bank Limited	A1+	AA-	PACRA	11,459	1,478
Samba Bank Limited	A-1	AA	VIS	62,903	8,972
Industrial and Commercial Bank of China	P-1	A1	Moody's	4,844	674
Meezan Bank Limited	A-1+	AA+	VIS	11,410	38,946
The Bank of Khyber	A-1	A	VIS	50	50
				378,247	618,243

* VIS has suspended the credit ratings of the Bank due to non-availability of updated financial information, as no financial statements have been made available by the Bank after the period ended 31 March 2018.

As at 30 June 2018, trade debts of Rupees 1,035.306 million (2018: Rupees 897.983 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2019	2018
	(RUPEES IN THOUSAND)	
Related party		
Upto 1 month	22,983	-
1 to 6 months	81,704	-
	104,687	-
Others		
Upto 1 month	655,281	790,103
1 to 6 months	167,031	90,182
More than 6 months	108,307	17,698
	930,619	897,983
	1,035,306	897,983

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2019, the Company had Rupees 1,674.634 million (2018: Rupees 1,682.122 million) available borrowing limits from financial institutions and Rupees 380.463 million (2018: Rupees 620.380 million) cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Following are the contractual maturities of financial liabilities as at 30 June 2019:

	Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years
	(RUPEES IN THOUSAND)					
Non-derivative financial liabilies:						
Long term financing	5,958,439	7,158,416	1,129,816	1,039,075	1,902,244	3,087,281
Liabilities against assets subject to finance lease	31,934	37,286	7,790	4,623	24,873	-
Unclaimed dividend	33,213	33,213	33,213	-	-	-
Short term borrowings	14,280,366	14,399,737	13,899,737	500,000	-	-
Trade and other payables	3,747,343	3,747,343	3,706,436	40,907	-	-
Accrued mark-up	257,624	257,624	257,624	-	-	-
	24,308,919	25,633,619	19,034,616	1,584,605	1,927,117	3,087,281

Following are the contractual maturities of financial liabilities as at 30 June 2018:

	Carrying Amount	Contractual Cash flows	6 months or less	6-12 months	1-2 Years	More than 2 years
	(RUPEES IN THOUSAND)					
Non-derivative financial liabilities:						
Long term financing	6,105,246	7,186,432	985,142	976,221	1,819,454	3,405,615
Liabilities against assets subject to finance lease	21,701	22,674	9,793	5,957	6,924	-
Unclaimed dividend	10,813	10,813	10,813	-	-	-
Short term borrowings	11,962,878	12,040,792	8,935,792	3,105,000	-	-
Trade and other payables	2,555,732	2,555,732	2,499,411	55,721	-	-
Accrued mark-up	191,768	191,768	191,768	-	-	-
	20,848,138	22,008,211	12,632,719	4,142,899	1,826,378	3,405,615

Short term borrowings and trade and other payables are financial liabilities of revolving nature which will get renewed as part of working capital management. The rates of interest / mark-up have been disclosed in Note 6, Note 7 and Note 11 of these financial statements.

(d) Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

41.2 Financial instruments by categories

	At amortized cost	Loans and receivables
	2019	2018
	(RUPEES IN THOUSAND)	
As at 30 June		
Financial assets as per statement of financial position		
Investments	576,076	-
Trade debts	10,711,672	9,276,084
Loans and advances	36,939	53,324
Deposits	205,038	127,106
Other receivables	9,769	36,622
Cash and bank balances	380,463	620,380
	11,919,957	10,113,516

	At amortized cost	
	2019	2018
	(RUPEES IN THOUSAND)	
Financial liabilities as per statement of financial position		
Long term financing	5,958,439	6,105,246
Liabilities against assets subject to finance lease	31,934	21,701
Unclaimed dividend	33,213	10,813
Short term borrowings	14,280,366	11,962,878
Trade and other payables	3,747,343	2,555,732
Accrued mark-up	257,624	191,768
	24,308,919	20,848,138

41.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to offsetting as there are no enforceable master netting arrangements and similar agreements.

42. RECOGNIZED FAIR VALUE MEASUREMENTS

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

43. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

The judgements and estimates made in determining the fair values of the non-financial assets that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

	Level 1	Level 2	Level 3	Total
At 30 June 2019	---------------(RUPEES IN THOUSAND)-------------			
Freehold land	-	1,462,233	-	1,462,233
At 30 June 2018				
Freehold land	-	1,462,233	-	1,462,233

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfer between level 1 and 2 for recurring fair value measurement during the year. Further, there was no transfer in and out of level 3.

(ii) Valuation techniques used to determine level 2 fair values

The Company certifies the valuation for its freehold land (classified as property, plant and equipment) regularly from independent valuer. The management updates the assessment of the fair value of freehold land, taking into account the most recent independent valuation. The management determines freehold land's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar lands.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's freehold land.

Changes in fair values are analyzed at the reporting date during the annual valuation discussion between the Chief Financial Officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 04 October 2019 by the Board of Directors of the Company.

45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

46. 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 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**

FORM 34

PATTERN OF SHAREHOLDING AS ON 30 JUNE, 2019

1. Incorporation Number **0012223**
2. Name of the Company **MASOOD TEXTILE MILLS LIMITED**
3. Pattern of holding of the shares held by the shareholders as at **30.06.2019**

ORDINARY SHARES:

4. No. of shareholders	Shareholdings	Total shares held
583	Shareholding from 1 to 100 Shares	**40,697**
482	Shareholding from 101 to 500 Shares	**109,229**
92	Shareholding from 501 to 1000 Shares	**71,445**
109	Shareholding from 1001 to 5000 Shares	**262,765**
16	Shareholding from 5001 to 10000 Shares	**107,210**
6	Shareholding from 10001 to 15000 Shares	**74,949**
6	Shareholding from 15001 to 20000 Shares	**102,400**
2	Shareholding from 20001 to 25000 Shares	**48,187**
1	Shareholding from 25001 to 30000 Shares	**25,900**
3	Shareholding from 30001 to 35000 Shares	**101,000**
2	Shareholding from 35001 to 40000 Shares	**76,400**
1	Shareholding from 40001 to 45000 Shares	**42,187**
3	Shareholding from 45001 to 50000 Shares	**145,600**
1	Shareholding from 50001 to 55000 Shares	**50,001**
1	Shareholding from 55001 to 60000 Shares	**55,350**
1	Shareholding from 65001 to 70000 Shares	**66,001**
1	Shareholding from 85001 to 90000 Shares	**86,637**
1	Shareholding from 90001 to 95000 Shares	**92,605**
1	Shareholding from 100001 to 105000 Shares	**104,962**
1	Shareholding from 105001 to 110000 Shares	**110,000**
2	Shareholding from 120001 to 125000 Shares	**246,274**
1	Shareholding from 390001 to 395000 Shares	**392,750**
1	Shareholding from 415001 to 420000 Shares	**419,625**
1	Shareholding from 690001 to 695000 Shares	**692,050**
1	Shareholding from 785001 to 790000 Shares	**785,100**
1	Shareholding from 1555001 to 1560000 Shares	**1,556,718**
1	Shareholding from 1725001 to 1730000 Shares	**1,726,400**
1	Shareholding from 2210001 to 2215000 Shares	**2,214,169**
1	Shareholding from 3370001 to 3375000 Shares	**3,373,987**
1	Shareholding from 4385001 to 4390000 Shares	**4,387,500**
1	Shareholding from 4535001 to 4540000 Shares	**4,536,019**
1	Shareholding from 7635001 to 7640000 Shares	**7,636,550**
1	Shareholding from 17395001 to 17400000 Shares	**17,396,833**
1	Shareholding from 20360001 to 20365000 Shares	**20,362,500**
1328	**Total**	**67,500,000**

PREFERENCE SHARES:

1	Shareholding from 245001 to 250000 Shares	250,000
1	Shareholding from 2495001 to 2500000 Shares	2,500,000
1	Shareholding from 3665001 to 3670000 Shares	3,666,668
1	Shareholding from 4435001 to 4440000 Shares	4,440,000
3	Shareholding from 4995001 to 5000000 Shares	15,000,000
1	Shareholding from 5305001 to 5310000 Shares	5,310,000
8	Total	31,166,668

5. Categories of shareholders	shares held	Percentage
ORDINARY SHARES:		
5.1 Directors, Chief Executive Officer, etc.	1,609,905	2.39
5.2 Associated Companies, undertakings and related parties.	17,396,833	25.77
5.3 NIT and ICP	2,215,019	3.28
5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.	4,565,738	6.76
5.5 Insurance Companies	400,444	0.59
5.6 Modarabas and Mutual Funds	3,100	0.00
5.7 Share holders holding 10%	27,999,050	41.48
5.8. General Public		
a. Local	2,632,468	3.90
b. Foreign		
5.9. Others-Joint Stock Companies/Co-operative Societies.	10,677,443	15.82
Total Ordinary Shares	67,500,000	100.00
PREFERENCE SHARES:		
5.3 Banks, Development Financial Institutions, Non Banking Financial Institutions.	31,166,668	100.00

6. Signature of Chief Executive/ Secretary

7. Name of Signatory: NISAR AHMAD ALVI

8. Designation: COMPANY SECRETARY

9. NIC Number: 33104-2693460-9

10. Date: Day 04 Mont 10 Year 2019

NAMEWISE CATEGORIES OF SHAREHOLDERS AS ON 30-06-2019

Name	Shares Held	Total Shares	Percentage
ORDINARY SHARES			
Directors:			
MR. SHAHID NAZIR AHMAD — Chief Executive Officer	1,556,718		
MR. NASEER AHMAD SHAH — Chairman	42,187		
MR. SHAHID IQBAL — Director	5,000		
MR. SHABIR AHMAD ABID — Director	6,000		
MR. SHOAIB AHMAD KHAN (NIT Nominee) — Director	-		
MR. SHIBIN YANG (Shanghai Challenge - Nominee) — Director	-		
MS CHEN YAN (Shanghai Challenge - Nominee) — Director	-	1,609,905	2.39
Shareholders Holding 10% or More:			
MRS. NAZIA NAZIR	20,362,500		
ZHEJIANG XINAO INDUSTRY COMPANY LIMITED	7,636,550	27,999,050	41.48
Associated Undertakings:			
SHANGHAI CHALLENGE TEXTILE CO., LIMITED	17,396,833	17,396,833	25.77
Investment Companies:			
INVESTMENT CORPORATION OF PAKISTAN	850	850	0.00
Financial Institutions:			
Banks:			
HABIB METROPOLITAN BANK LIMITED	25,900		
IDBP (ICP UNIT)	3,250		
NATIONAL BANK OF PAKISTAN	4,536,588	4,565,738	6.76
Insurance Companies			
AGRO GENERAL INSURANCE COMPANY LIMITED	7,594		
DELTA INSURANCE COMPANY LIMITED	100		
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	392,750	400,444	0.59
Modarabas			
THIRD PRUDENTIAL MODARABA	2,900		
UNICAP MODARABA	200	3,100	0.00
Mutual Fund			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,214,169	2,214,169	3.28

Name	Shares Held	Total Shares	Percentage
Joint Stock Companies And Others			
BEACON IMPEX (PVT.) LIMITED	3,373,987		
FORTRESS TEXTILE (PVT.) LIMITED	2,616,462		
H M INVESTMENTS (PVT.) LIMITED	4,900		
KOHISTAN CORPORATION (PVT.) LIMITED	4,387,500		
LIBERTY MILLS LIMITED	13,000		
M/S RANG COMMODITIES (PVT) LIMITED	1,000		
MAPLE LEAF CAPITAL LIMITED	50,001		
MRA SECURITIES LIMITED - MF	6,000		
NH SECURITIES (PVT) LIMITED	5		
PASHA SECURITIES (PVT.) LIMITED	100		
PRUDENTIAL CAP.MANAGEMENT LIMITED	1,600		
PAKISTAN KUWAIT INVSTMENT (PVT.) LTD	2,600		
SHAFFI SECURITIES (PVT.) LIMITED	2,000		
SAVARI (PVT.) LIMITED	900		
SOFTWARE CREATIONS (PVT.) LIMITED	121,374		
TRUSTEE NBP EMP BENEVOLENT FUND TRUST	3,249		
TRUSTEE NBP EMPLOYEES PENSION FUND	92,605		
Y.S. SECURITIES & SERVICES (PVT.) LIMITED	160	**10,677,443**	**15.82**
General Public:		**2,632,468**	**3.90**
TOTAL ORIDINANRY SHARES		**67,500,000**	**100**
PREFERENCE SHARES			
Banks:			
ASKARI BANK LIMITED	-	2,500,000	
HABIB BANK LIMITED	-	4,440,000	
MCB BANK LIMITED	-	5,000,000	
NATIONAL BANK OF PAKISTAN	-	5,000,000	
UNITED BANK LIMITED	-	3,666,668	
		20,606,668	**66.12**
Investment Companies:			
PAKISTAN KUWAIT INVESTMENT CO. (PVT.) LTD	-	5,000,000	**16.04**
KOHISTAN CORPORATION (PVT.) LTD	-	250,000	**0.80**
SUNDAR IMPEX (PVT) LTD	-	5,310,000	**17.04**
TOTAL PREFERENCE SHARES		**31,166,668**	**100**

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Masood Textile Mills Ltd.

پراکسی فارم

حصص کی تعداد --------------- فولیونمبر ----------------- سی ڈی سی کھاتہ نمبر -----------------------------

میں/ہم مسمی/مسماۃ -- ساکن ------------------------------

بحثیت ممبر مسعود ٹیکسٹائل ملز لمیٹیڈ، مسمی/مسماۃ ------------------------------------ ساکن ------------------------------

کمپنی ممبر کو بطور (پراکسی) مقرر کرتا/کرتی ہوں تا کہ وہ میری/ہماری جگہ اور میری/ہماری طرف سے کمپنی کا 35واں سالانہ اجلاس عام منعقدہ بروز سوموار بتاریخ 28 اکتوبر 2019 بوقت صبح ۱۱:۰۰ بجے بشمول التوا سالانہ اجلاس عام بابت مسعود ٹیکسٹائل ملز لمیٹڈ یونیورسل ہاؤس ۱۷/۱، نیو سول لائن بلال روڈ فیصل آباد۔ میں ووٹ ڈال سکے۔

دستخط بتاریخ --------------- دن ---------------2019۔

باموجودگی گواہ مسمی/مسماۃ ---------------------------------------

نام ---------------------------------------

ولدیت/ازوجیت ---------------------------------------

ساکن/سکنہ ---------------------------------------

دستخط ---------------------------

گواہ کی موجودگی میں دستخط شدہ

(دستخط کمپنی میں موجود رجسٹرڈ کے مطابق ہونے چاہیں)

دستخط گواہ ---------------------------

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ---------------------------

پانچ روپے کی ریونیو سٹیمپ

اہم نوٹ:

پراکسی فارم رجسٹرڈ آفس مسعود ٹیکسٹائل ملز لمیٹڈ یونیورسل ہاؤس، ۱/۱۷، نیو سول لائن بلال روڈ، فیصل آباد میں اجلاس کے انعقاد سے کم از کم ۴۸ گھنٹے پہلے جمع کرانا لازمی ہے بشمول رسیدی ٹکٹ، دستخط شدہ ممبر اور گواہ شدہ۔ بصورت دیگر قابل قبول نہ ہوگا۔

mtm
Masood Textile Mills Ltd.

FORM OF PROXY

No. of Ordinary Shares Held.____________ Folio No. ___________CDC A/c No.________

I/We, ____

of ____

being a member of MASOOD TEXTILE MILLS LIMITED hereby appoint _________________

____

(NAME)

of ____

____

(being a member of the Company) as my/our proxy to vote for me/us and on my/our behalf at the 35th Annual General Meeting of the Company to be held at its Registered Office at Universal House, P-17/1, New Civil Lines, Bilal Road, Faisalabad on Monday, the 28th day of October, 2019 at 11:00 A.M. or any adjournment thereof.

As witnessed my hands this ________________________ day of ________________ 2019

Signed by me in the presence of witness: ____

____

(Signature of witness) (Member's Signature)

CNIC.______________ CNIC.______________

Five Rupees
Revenue
Stamp

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.