



Annual Report 2020  
Maqbool Textile Mills Limited



# **MAQBOOL TEXTILE MILLS LIMITED**

*31<sup>st</sup> Annual Report*

**&**

*Financial Statements (Audited)*

*For the year ended June 30, 2020*

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## MISSION STATEMENT

The mission of Maqbool Textile Mills Limited is to contribute positively to the Socio-Economic growth of Pakistan through business and industrial pursuits endeavoring to achieve excellence in all spheres of such activity with effective and efficient management.

## VISION STATEMENT

Maqbool Textile Mills Limited become a truly Professional Organization, achieve higher quality standards, utilize maximum capacity, capture expansion opportunities and become a least cost operator amongst its competitors.

We will strive to continue as a successful Company, make profit and thus create value for our shareholders without high risk to them, our Customers or employees.

## QUALITY AND ENVIRONMENTAL POLICY

Our aim is to achieve the leadership of textile and spinning industry through quality products according to customer satisfaction. We thrive to achieve the above through the following measures:

- 1) Acquisition of quality raw material.
- 2) Manufacturing of high quality yarn as per customer satisfaction.
- 3) Continuous training and guidance to employees regarding quality and environment.
- 4) Continuous improvement, close watch and control in production process and environment.
- 5) Follow up of the system, regarding international quality and environmental laws.
- 6) Control of pollution discharge from industrial process.

**COMPANY PROFILE**

<b>BOARD OF DIRECTORS</b>	Mian Tanvir Ahmad Sheikh Mian Anis Ahmad Sheikh Mian Idrees Ahmad Sheikh Mian Aziz Ahmad Sheikh Mian Atta Shafi Tanvir Sheikh Maj. (R) Javed Mussarat Syed Raza Abbas Jaffari	- Chairman - Chief Executive Officer - Non-Executive Director - Non-Executive Director - Executive Director - Independent Director - Independent Director
<b>AUDIT COMMITTEE</b>	Maj. (R) Javed Mussarat Mian Idrees Ahmad Sheikh Mian Aziz Ahmad Sheikh	- Chairman - Member - Member
<b>HR &amp; REMUNERATION COMMITTEE</b>	Mian Aziz Ahmad Sheikh Mian Idrees Ahmad Sheikh Mian Atta Shafi Tanvir Sheikh	- Chairman - Member - Member
<b>CHIEF FINANCIAL OFFICER &amp; COMPANY SECRETARY</b>	M. Ehsanullah Khan	
<b>HEAD OF INTERNAL AUDIT</b>	Mahmood ul Hassan	
<b>AUDITORS</b>	M/s. Deloitte Yousuf Adil Chartered Accountants, Mehar Fatima Tower, Opposite High Court, Multan.	
<b>LEGAL ADVISOR</b>	Mr. Malik Masroor Haider Usman - Advocate Metro Plaza, Multan.	
<b>BANKERS</b>	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited United Bank Limited Faysal Bank Limited The Bank of Punjab Bank Alfalah Limited (Islamic Banking) Meezan Bank Limited National Bank of Pakistan (Islamic Banking)	
<b>REGISTERED / HEAD OFFICE</b>	2-Industrial Estate, Multan.	
<b>MILLS (Unit I-II &amp; Ginning Unit)</b>	M.M. Road, Chowk Sarwar Shaheed, Distt. Muzaffargarh.	
<b>MILLS (Unit III)</b>	Rajana Road, Pirmahal, Distt. Toba Tek singh.	
<b>SHARES REGISTRARS</b>	M/s Hameed Majeed Associates (Pvt.) Ltd. H.M House, 7-Bank Square, Lahore.	

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31<sup>st</sup> Annual General Meeting of the Company will be held on Wednesday October 28, 2020 at 11:00 a.m. at its registered office, 2-Industrial Estate, Multan, to transact the following business:

### ORDINARY BUSINESS

1. To read and confirm the minutes of the 30<sup>th</sup> Annual General Meeting of the Company held on October 28, 2019.
2. To receive, consider and adopt the Annual audited financial statements of the Company together with the Directors', Auditors' Reports and Chairman Review thereon for the year ended June 30, 2020.
3. To appoint auditors of the Company for the year 2020-21, who will hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

BY THE ORDER OF THE BOARD

Sd/-

(M. Ehsanullah Khan)  
COMPANY SECRETARY

Multan, October 07, 2020

### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 21-10-2020 to 28-10-2020 (both days inclusive). Shares transfer received at the Company's Shares Registrar's Office, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on October 20, 2020 will be treated in time.
2. A member entitled to attend and vote at this meeting is entitled to appoint any other member as a proxy to attend, speak and vote instead of him/her. **A proxy must be a member.** Proxy Forms duly stamped with Rs.5/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at this meeting must bring his/her CNIC or passport to prove his/her identity and in case of proxy must enclose an attested copy of his/ her CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has been posted on the Company's website. Those Members who opt to receive the annual audited financial statements through CD/DVD/USB instead in the form of hardcopies may apply to the Company Secretary at his

postal or email address [ehsan@maqboolgroup.com](mailto:ehsan@maqboolgroup.com)

5. **Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier and also communicate to the Company immediately of any change in their addresses.**

**Members can also avail Video Conference facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard please fill the following and submit to the registered address of the Company within ten (10) days before holding of general meeting:**

I/We, \_\_\_\_\_ of \_\_\_\_\_,  
being a member of MAQBOOL TEXTILE MILLS LIMITED, holder of \_\_\_\_\_  
ordinary shares as per Register Folio No./CDC A/C No. \_\_\_\_\_ hereby opt for Video  
conference Facility at \_\_\_\_\_.

\_\_\_\_\_  
**Signature of Member**

**If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 10 days prior to the date of meeting, the Company will arrange Video Conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of the Video Conference facility at least five (05) days before the date of general meeting along with complete information necessary to enable them to access such facility.**

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**CHAIRMAN'S REVIEW REPORT U/S 192 OF THE COMPANIES ACT, 2017**  
**ON OVERALL BOARD PERFORMANCE AND BOARD'S ROLE IN ACHIEVING THE**  
**COMPANY'S OBJECTIVES FOR YEAR ENDED JUNE 30, 2020**

Annual Evaluation of the Board of Directors of the Company, M/s Maqbool Textile Mills Limited, is carried out in accordance with the requirements of the Code of Corporate Governance to ensure that its performance and effectiveness is as per the expectations to achieve the goals and objectives of the Company. For the financial year ended June 30, 2020, it is assessed as Satisfactory. There was no violation of the code of conduct.

The Board meetings and Committee meetings were always well attended. The members of the Board of Directors of the Company were sent agendas and supporting material well in time prior to the board and its committee meetings. All the Directors made important contribution and made their best efforts for the achievements of the desired results during the year. The expertise of the Independent and non-executive Directors also helped in the decision making process. The operations of the Company's Units were strategically planned and all the resources were optimally utilized. The performance results were found satisfactory.

All the employees of the Company were met with equitable treatment who contributed to the Company business through their effective and efficient working.

Sd/-

Mian Tanvir Ahmad Sheikh

CHAIRMAN

Multan, October 7, 2020



## ***DIRECTORS' REPORT***

**In the name of Allah the Most Beneficent and the Merciful**

Dear Shareholders,

On behalf of the Board of Directors of the Company, it is my privilege to present before you the 31<sup>st</sup> Annual Report on the affairs of your Company along with the Audited Financial Statements for the year ended June 30, 2020.

### **PERFORMANCE:**

The Covid-19 pandemic has appeared as a major event forcing the world into lock-down and limiting the economic activity across the world. Countries around the globe took emergent measures to contain the outbreak & to cope with the situation through social restriction & blocking the boundaries. However, despite significant relief measures the consequences of Covid-19 pandemic are still continuing. Like whole of the world, emergence of the pandemic also dampened the economic activity in our county. Amidst temporary business shutdown the economy of our country contracted by 2% in FY 20 against the growth target of 3% for the period. The collective impact of decline in demand, devaluation of PKR & higher rate of sales tax has quite adversely effected the operations of your Company & textile industry in Pakistan.

However, despite significant impacts of Covid-19 pandemic & various challenges including global slowdown and drastic rise in cost of doing business, especially the finance cost, your Company has performed satisfactorily & earned a pre-tax profit of **Rs. 132.229 Million** (2019: 160.183 Million) & net profit of **Rs. 26.391 Million** (2019: 72.836 Million) after provision for taxation.

### **OPERATIONS:**

The Mills produced Cotton, CVC, PC, PV & PP yarn throughout the year. The total production of yarn during the year under review at Unit-1 on 20's count basis was **7,447,249 Kg.** (2019: 5,596,272 Kg.), at Unit-2 on 40's count CVC basis was **3,459,402 Kg.** (2019: 3,925,366 Kg.) & at Unit-3 on 30's PV count basis was **6,715,980 Kg.** (2019: 6,599,386 Kg.)

The total sales for the year decreased to Rs. **5,841,689,559** compared to Rs. 6,234,762,289 last year. The gross profit for the year was **Rs. 620,022,492/-** as compared to Rs. 517,034,295/- last year. The Net profit after providing for Tax amounted to **Rs. 26,391,757/-** as compared to the Net Profit of **Rs. 72,836,506/- last year.**

The sales of yarn as compared to last year were less due to suspension of mills operation during the lockdown period i-e from 22<sup>nd</sup> March 2020 till 7<sup>th</sup> May 2020 when all costs were incurred including the payment of salaries & wages to all the staff & labour of the Company without having any production. This negatively affected the financial results of the Company by over Rs. 130 Million.

**ACCOUNTS:**

The financial results for the year ended June 30, 2010 along with the comparative figures of the last year are summarized under the respective heads of Accounts below:

	<b>For the year ended June 30, 2020 Rupees</b>	<b>For the year ended June 30, 2019 Rupees</b>
Sales- net	5,841,689,559	6,234,762,289
Cost of goods sold	(5,221,667,067)	(5,717,727,994)
<b>Gross Profit</b>	<b>620,022,492</b>	<b>517,034,295</b>
Other income/ (expenses)	975,322	53,237,198
	<u>620,997,814</u>	<u>570,271,493</u>
Distribution and marketing expenses	(65,306,232)	(76,740,817)
Administrative Expenses	(146,152,148)	(131,526,070)
Operating Expenses	(15,369,000)	(30,136,501)
Finance Cost	(261,941,203)	(171,684,906)
<b>Profit before Taxation</b>	<b>132,229,230</b>	<b>160,183,199</b>
Taxation	(105,837,473)	(87,346,693)
<b>Profit for the year</b>	<b>26,391,757</b>	<b>72,836,506</b>
Earnings per share- basic and diluted	<u><u>1.57</u></u>	<u><u>4.34</u></u>

**BMR**

Alhamdulillah, the ongoing process of Expansion/BMR of Unit No.1 was completed successfully in the last year with the installation of imported machinery. Total 9,024 Spindles were added to Unit No.1 with allied back-process machinery. During the year under report, bellow detailed machinery was also installed / added to Unit No. 1 to further improve production efficiency:

- 4 Sets of Drawing Frames RSB-D35
- Complete Tomsic Lab Testing Equipment's

The following machinery was also added/installed at Unit No.3 of the Company to further improve production capacity as well as efficiency:

- 2 Sets of Ring Spinning Frames (EJM-168)
- 2 Set of Murata 21-C Auto-Cone Winder
- 1 Set of Roving Frame FL-16
- 2 Sets of Drawing Frames RSB-D35

The total numbers of spindles of all three spinning Units now stand increased to **82,224** as compared to 81,192 Spindles last year. Alhamdulillah, all the machinery installed is fully operational. With the addition of above machinery, the working of the mills has improved and the viability is getting better.

During the year under review, due to the impacts of Covid-19 pandemic, demand of CVC yarn significantly decreased which was produced in Unit No.2 of the Company. The production mix of the

Unit 2 was thus changed which required addition of new machinery in back process. For this purpose, a finance facility of Rs.86 Million under the TERF Scheme of SBP from Bank Al-Habib has been obtained. Letter of Credits for import of bellow detailed machinery have been established.

- 8 Sets of Carding Machines MK-6
- 2 Sets of Draw Frames FA-316A
- 3 Sets of Murata Auto Cone Winders
- 2 Sets of Simplex Machines TJFA
- 2 Sets of Draw Frames RSBD-35

The installation of above imported machinery at Unit-2 will Insha'Allah be completed before 31.12.2020 resulting into higher production of better quality yarn fetching more profitability for the Company.

After completion of installation of further machinery in Unit No. 2, the sales will grow further during the year 2020-21 & will bring better financial results. To meet these challenges, the Company plans to adopt dynamic policies for increase in production quantitatively as well as qualitatively through continuous BMR Process. The Marketing Strategies are also being well planned to achieve more returns for the Company adding value to shareholders worth. As a whole the future of the Company looks promising and encouraging. The Company is well placed to achieve further success and build shareholders value in the years ahead.

At present future expansion of the Company's production facility is at hand and working for installation of the most modern spinning technology MVS is being planned & will be installed soon.

### **FUTURE OUTLOOK**

The Govt. of Pakistan has taken several measure to dampen the effects Covid-19 pandemic to revive the economy including significant cut in policy rate of the SBP and the continuation of subsidized energy tariff for another one year. The SBP, in this regard issued various relief schemes for defement of long term loans. Finance facilities from commercial banks on subsidized rate were also allowed for payment of salary & wages to workers for the months from April to September 2020. These measures have given relief to the industries & has kept it going on. Despite all above, Covid-19 pandemic is still standing as a big threat to global economies. Textile Industry is continuously operating in a challenging environment. The international market conditions, volatility in prices of raw material, increased manpower cost and implementation of higher rate of sales tax on the sector are amongst the major challenges.

The Directors of the Company are very much optimistic for future growth, however, the above issues must be addressed, so that textile sector can perform efficiently. Special package announced by the government for Textile Industry must be implemented in true spirit, gradual change in dollar rates rather than its sudden devaluation, sales tax rates imposed on textile sector must be zero or at reduced rate, mechanism for reimbursement of refunds on account of Income Tax, Sales Tax& Export Rebate be settled through immediate payments.

### **DIVIDEND**

Due to the less profit earned this year by the Company for the reasons as explained above,& future expansion plans your Directors do not propose payment of any Dividend this year

### **REVALUATION OF FIXED ASSETS**

Valuation of the fixed assets (Land, building & Machinery) of the Company was carried out on June 30, 2019 by the independent valuers M/s MYK Associates (Pvt.) Limited, Karachi on the basis of market value to reflect the current fair value of the assets of the Company. The net effect after deletion/addition in assets has been accounted for in the financial statements of the Company.

### **ISO 9001:2015 QMS AND ISO 14001:2015 EMS CERTIFICATION**

Your Directors are pleased to report that your Company is quite successfully maintaining its ISO 9001:2015 Certification for Quality Management System and the ISO 14001:2015 Certification for Environmental Management System.

### **COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

Your Directors are pleased to report that the Company is complying with the requirements of the Code of Corporate Governance as introduced by the Securities and Exchange Commission of Pakistan. The various statements, as required by the code, are given below:

#### **PRESENTATION OF FINANCIAL STATEMENTS:**

The financial statements, prepared by the Company, fairly present its state of affairs, the results of operations, cash flows, and changes in equity.

#### **BOOKS OF ACCOUNTS:**

The Company has maintained proper books of accounts.

#### **ACCOUNTING POLICIES:**

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

#### **COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS):**

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

#### **INTERNAL CONTROL SYSTEM:**

The system of internal control is sound in design and has been effectively implemented and monitored.

#### **ON GOING CONCERN:**

The Company's financial position is sound enough to ensure its continuity as an ongoing concern.

#### **NO OUTSTANDING STATUTORY DUES:**

There are no outstanding statutory dues on account of taxes, levies and charges except of normal and routine nature.

**FINANCIAL HIGHLIGHTS:**

Key operating and financial data of the last six years is given in Annex 1.

**BOARD MEETINGS:**

During the year ended June 30, 2020 four (4) meetings of the Board of Directors were held.

Attendance of each Director is given below:

<u>Director's Name</u>	<u>Meeting Attended</u>
Mian Tanvir Ahmad Sheikh	4
Mian Anis Ahmad Sheikh	4
Mian Idrees Ahmad Sheikh	4
Mian Aziz Ahmad Sheikh	4
Mian Atta Shafi Tanvir Sheikh	4
Maj. (Retd.) Javed Musarrat	4
Syed Raza Abbas Jaffery	4

The Audit Committee held four (4) meetings during the year. Attendance by each member was as follows:

<u>Members Name</u>	<u>Attendance</u>
Maj (Retd.) Javed Musarrat	4
Mian Aziz Ahmad Sheikh	4
Mian Idrees Ahmad Sheikh	4

The HR&R Committee held one (1) meeting during the year. Attendance by each member was as follows:

<u>Members Name</u>	<u>Attendance</u>
Mian Aziz Ahmad Sheikh	1
Mian Idrees Ahmad Sheikh	1
Mian Atta Shafi Tanvir Sheikh	1

**COMPOSITION OF BOARD**

The Board consists of 7 Directors with following composition:

Independent Directors	2
Other Non-Executive Directors	3
Executive Directors	2

**AUDITORS**

Your Company's Auditors M/s Deloitte Yousuf Adil, Chartered Accountants, Multan retire and being eligible offer themselves for re-appointment for the next year.

The Audit Committee of the Company has recommended and proposed the re-appointment of M/s Yousuf Adil, Chartered Accountants, Multan as Auditors of the Company for the year 2020-2021 with remuneration as per ICAP Standard, in the upcoming Annual General Meeting of the Company.

## **PATTERN OF SHAREHOLDING**

A statement showing pattern of shareholdings of the Company and additional information as at June 30, 2020 is annexed to this report.

## **RELATIONS WITH LABOUR AND STAFF**

Your Directors are happy to report that relations with labour and staff of the Company remained cordial throughout the year.

## **ACKNOWLEDGEMENT**

Your Directors acknowledge the best cooperation as usual enjoyed by your Company from all relevant Financial Institutions, its bankers as listed below and wish to record their appreciation for the same and hope their support to the Company will continue in future as well.

Habib Bank Ltd.,  
Bank AL Habib Ltd.,  
Habib Metropolitan Bank Ltd.,  
United Bank Ltd.,  
The Bank of Punjab  
National Bank (Islamic)  
Bank Al-Falah Ltd. (Islamic)  
Faysal Bank Ltd. (Islamic)  
Askari Bank Ltd.,  
Meezan Bank Ltd.

The Directors also acknowledge the proactive efforts of the Federal and the Provincial Governments as well as the SECP towards the facilitation and guidance to the corporate sector during the COVID-19 crisis, the various measures taken by the State Bank of Pakistan in this regard are also thankfully acknowledged. We also thank all our valued customers, suppliers, stakeholders and all others for their confidence and patronage, and reaffirm our commitment to serve them in the best possible manner.

The dedicated hard work of all employees of the Company, working in these challenging circumstances, keeping the operations of the Company smooth is also acknowledged.

On behalf of the Board of Directors

Sd/-

**Mian Tanvir Ahmad Sheikh**  
CHAIRMAN

Multan,  
October 7, 2020



ACCOUNTS:

	2020	2019
	Rupees	Rupees
Sales- net	5,841,689,559	6,234,762,289
Cost of goods sold	(5,221,667,067)	(5,717,727,994)
Gross Profit	<u>620,022,492</u>	<u>517,034,295</u>
Other Income	<u>975,322</u>	<u>53,237,198</u>
	620,997,814	570,271,493
Distribution and marketing expenses	(65,306,232)	(76,740,817)
Administrative Expenses	(146,152,148)	(131,526,070)
Operating Expenses	(15,369,000)	(30,705,648)
Finance Cost	(261,941,203)	(171,684,906)
Profit/Loss before Taxation	<u>132,229,230</u>	<u>159,614,052</u>
Provision for Taxation	(105,837,473)	(87,346,693)
Profit/Loss for the year	<u>26,391,757</u>	<u>72,267,359</u>
Earnings/ (Loss) per share- basic and diluted	<u>1.57</u>	<u>4.30</u>

BMR

1

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1

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(21-C) 2

FL-16 1

RSB-D35 2

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81,192



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MK-6

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FA-316A

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(21-C)

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RSB-D35

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2020 07

## SIX YEARS KEY OPERATING AND FINANCIAL DATA

### BALANCE SHEET

	2016	2017	2018	2019	2020
Authorized Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Issued, subscribed and paidup capital	168,000,000	168,000,000	168,000,000	168,000,000	168,000,000
Reserve	168,000,000	168,000,000	168,000,000	168,000,000	168,000,000
Unappropriated profit/(Loss)	126,787,632	194,868,151	275,898,263	370,168,634	425,179,002
Surplus on revaluation of property, plant and equipment	723,306,444	704,975,105	680,437,132	1,187,724,930	1,133,642,519
Total Equity	1,186,094,076	1,235,843,256	1,292,335,394	1,893,893,564	1,894,821,521
Liabilities					
Deferred/long term liabilities	470,763,962	411,869,561	341,109,438	600,118,117	739,111,838
Short term liabilities	1,504,117,787	1,459,117,649	1,798,651,804	2,292,102,546	2,601,951,471
Total liabilities	1,974,881,749	1,870,987,210	2,139,761,242	2,892,220,663	3,341,063,309
Total equity and liabilities	3,160,975,825	3,106,830,466	3,432,096,636	4,786,114,227	5,235,884,830
Fixed assets					
owned	1,850,281,415	1,840,019,477	1,799,940,622	2,736,661,344	2,787,728,910
Long term deposits	5,668,939	5,668,939	5,668,939	5,770,489	8,181,889
Current assets	1,305,025,471	1,261,142,050	1,626,487,075	2,043,682,394	2,439,974,031
Total assets	3,160,975,825	3,106,830,466	3,432,096,636	4,786,114,227	5,235,884,830

### PROFIT AND LOSS ACCOUNT

Turnover (net)	4,280,589,829	4,863,138,768	5,598,969,124	6,234,762,289	5,841,689,559
Gross profit/(loss)	227,277,237	331,881,000	398,524,405	517,034,295	620,022,492
Profit/(loss) before taxation	(38,905,401)	63,295,584	109,523,219	160,183,199	132,229,230
Taxation	(29,024,496)	(37,048,566)	(54,817,031)	(87,346,693)	(105,837,473)
Profit/(loss) for the year	(60,367,736)	26,247,018	54,706,187	72,836,506	26,391,757

### DISTRIBUTION

Cash dividend (Rs. per share)	NIL	NIL	1.25	1.75	NIL
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### RATIOS

Breakup value	70.60	73.56	76.92	113	113
EPS	(3.59)	1.56	3.26	4.34	1.57
ROE	(0.13)	0.05	0.09	0.10	0.03
Current Ratio	0.87 : 1	0.86 : 1	0.90 : 1	0.89 : 1	0.94 : 1
Debt/Equity Ratio without Surplus	0.54	0.40	0.24	0.42	0.52
Debt/Equity Ratio with Surplus	0.21	0.17	0.11	0.15	0.21

### PLANT CAPACITY AND ACTUAL PRODUCTION

#### Spinning Unit-I

Spindles installed and worked	No.	18,672	18,672	18,672	24,672	27,696
Shift worked	No.	1,021	1,022	1,022	1,002	912
Standard production after conversion into 20's count	Kgs	6,398,891	6,398,891	6,398,891	7,945,152	10,370,373
Actual production of yarn after conversion into 20's count	Kgs	5,180,435	5,186,155	5,346,767	5,596,272	7,447,249

#### Spinning Unit-II

Spindles installed and worked	No.	27,864	27,864	27,864	27,864	27,864
Shift worked	No.	1,002	1,007	1,007	1,007	917
Standard production after conversion into 40's PC count	Kgs	4,784,702	4,784,702	4,784,702	4,784,702	4,784,702
Actual production of yarn after conversion into 40's PC count	Kgs	4,166,657	4,185,296	4,003,495	3,925,366	3,459,402

#### Spinning Unit-III

Spindles installed and worked	No.	23,904	23,904	23,904	25,632	26,664
Shift worked	No.	899	891	896	995	905
Standard production after conversion into 20's count	Kgs	7,018,741	7,018,741	7,018,741	7,526,120	7,669,765
Actual production of yarn after conversion into 20's count	Kgs	5,050,455	5,510,786	5,689,190	6,599,386	6,715,980

**STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED JUNE 30, 2020**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Maqbool Textile Mills Limited (the company) has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The total number of Directors are 7 as per the following:
  - i. Mian Tanvir Ahmad Sheikh
  - ii. Mian Anis Ahmad Sheikh
  - iii. Mian Idrees Ahmad Sheikh
  - iv. Mian Aziz Ahmad Sheikh
  - v. Mian Atta Shafi Tanvir Sheikh
  - vi. Syed Raza Abbas Jaffery (Rep. NIT)
  - vii. Maj. Retd. Javed Mussarat
  
2. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

S. No	Category	Name Of Directors
1	<b><u>Independent Director*</u></b>	1. Mr. Maj ( R ) Javed Mussarat 2. Mr. Syed Raza Abbas Jaffery
2	<b><u>Executive Director</u></b>	1. Mr. Mian Tanvir Ahmad Sheikh 2. Mr. Mian Anis Ahmad Sheikh 3. Mr. Mian Atta Shafi Tanvir Sheikh
3	<b><u>Non-Executive Director</u></b>	1. Mr. Mian Idrees Ahmad Sheikh 2. Mr. Mian Aziz Ahmad Sheikh

\*The Independent Director meets the requirements as prescribed in PSX Rules Book.

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 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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Director's Training Program for the following:  
Not applicable
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, Including their remuneration and terms of employment and complied relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statement before approval of the board.
12. The board has formed committees comprising of members given below:
  - i. The board has constituted an Audit Committee. It comprises of three members, of whom two are non-executive directors and one independent director. The Chairman of the Committee is also a Independent Director.

<b>Name of Member of Committee</b>	<b>Designation</b>
i. Maj ( R ) Javed Mussarat	Chairman
ii. Mian Idrees Ahmad Sheikh	Member
iii. Mian Aziz Ahmad Sheikh	Member

- ii. The board has constituted a Human Resource (HR) & Remuneration Committee comprises of three members, of whom majority are non-executive directors including the Chairman of the committee.

<b>Name of Member of Committee</b>	<b>Designation</b>
i. Mian Aziz Ahmad Sheikh	Chairman
ii. Mian Idrees Ahmad Sheikh	Member
iii. Mian Atta Shafi Tanvir Sheikh	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:
  - i. Audit Committee 4 Meetings
  - ii. H.R. Committee 1 Meeting
15. The board has setup an effective internal audit function.
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, 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 listing regulations 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.
19. The Company is in process of appointment of Company Secretary which will be completed soon.

M. Ehsanullah Khan  
Company Secretary

Dated: 07.10.2020



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MAQBOOL TEXTILE MILLS LIMITED  
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Maqbool Textile Mills Limited** for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirement 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 any 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 June 30, 2020.

Further, we highlight below instance of non-compliance with the requirement of the regulations as reflected in the note reference where these are stated in the Statement of Compliance:

<b>Sr.</b>	<b>Reference</b>	<b>Description</b>
1	<b>Note 19</b>	The Company has same person simultaneously holding the office of chief financial officer and company secretary contrary to regulation 24 of the Listed Companies (Code of Corporate Governance) Regulations, 2019

**Chartered Accountants**

Engagement Partner:  
Rana M. Usman Khan

Multan  
Date: October 07, 2020

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Maqbool Textile Mills Limited (the Company) which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, its comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

Following are the Key audit matter(s):

Key audit matter	How the matter was addressed in our audit
<b>1. Revenue Recognition</b>	
<p>The Companys sales comprise of revenue from the sale of yarn as disclosed in note 23 to the financial statements.</p> <p>Revenue from the sale is recognized, when control related to the sale of goods is transferred and the performance obligation is satisfied i.e. on dispatch of goods in case of local sales and on bill of lading in case of exports sales (note 4.4.11).</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized based on transfer of control to the customers in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to address the Key Audit Matter included the following:</p> <p>Obtaining an understanding of and assessing the design , implementation and operating effectiveness of controls over recognition of revenue transactions;</p> <p>Assessing the appropriateness of the Companys accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</p> <p>Checked on a sample basis whether the recorded sales transactions are based on dispatch of goods and after issue of gate passes; and</p> <p>Reviewing the adequacy of disclosure as required under applicable financial reporting framework.</p>

**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 opinion 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.

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## **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 are 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 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 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 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 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, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Rana M. Usman Khan.

**Chartered Accountants**

**Multan**

**Date 07.10.2020**

**STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,787,728,910	2,736,661,344
Long term deposits		8,181,889	5,770,489
		<b>2,795,910,799</b>	<b>2,742,431,833</b>
<b>Current assets</b>			
Stores and spares	6	61,100,864	54,147,768
Stock in trade	7	1,381,199,453	994,564,051
Trade debts	8	599,099,932	641,645,181
Loans, advances and prepayments	9	100,320,310	52,695,096
Prepayments	10	153,999,330	203,172,311
Advance Income tax		108,749,891	76,748,393
Cash and bank balances	11	35,504,251	20,709,594
		<b>2,439,974,031</b>	<b>2,043,682,394</b>
<b>Total assets</b>		<b>5,235,884,830</b>	<b>4,786,114,227</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	12	168,000,000	168,000,000
General reserve		168,000,000	168,000,000
Surplus on revaluation of property, plant and equipment - net of deferred tax	13	1,133,642,519	1,187,724,930
Unappropriated profit		425,179,002	370,168,634
		<b>1,894,821,521</b>	<b>1,893,893,564</b>
<b>Non-current liabilities</b>			
Long term financing	14	288,553,256	194,699,513
Long term loans from related parties	15	55,083,139	64,092,383
Lease liabilities	16	12,302,245	3,830,930
Deferred taxation	17	345,219,432	306,595,062
Staff retirement benefits - gratuity	18	37,953,766	30,900,229
		<b>739,111,838</b>	<b>600,118,117</b>
<b>Current liabilities</b>			
Trade and other payables	19	363,392,411	619,229,640
Accrued mark up	20	57,472,099	40,128,194
Short term borrowings	21	2,025,910,229	1,491,226,230
Unclaimed dividend		3,052,032	3,052,032
Unpaid dividend		9,851,010	3,218,372
Current portion of long term financing	14	58,123,114	74,338,672
Current portion of lease liabilities	16	2,380,410	712,973
Provision for tax		81,770,166	60,196,433
		<b>2,601,951,471</b>	<b>2,292,102,546</b>
<b>Contingencies and commitments</b>	22		
<b>Total equity and liabilities</b>		<b>5,235,884,830</b>	<b>4,786,114,227</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer

**STATEMENT OF PROFIT OR LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Note</i>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Revenue from contracts	23	5,841,689,559	6,234,762,289
Cost of goods sold	24	<u>(5,221,667,067)</u>	<u>(5,717,727,994)</u>
Gross profit		<b>620,022,492</b>	<b>517,034,295</b>
Other income	25	<b>975,322</b>	53,237,198
		<b>620,997,814</b>	<b>570,271,493</b>
Selling and distribution expenses	26	<b>65,306,232</b>	76,740,817
Administrative expenses	27	<b>146,152,148</b>	131,526,070
Other operating expenses	28	<b>15,369,000</b>	30,136,501
		<b>(226,827,380)</b>	<b>(238,403,388)</b>
Finance cost	29	<b>(261,941,204)</b>	(171,684,906)
<b>Profit before taxation</b>		<b>132,229,230</b>	<b>160,183,199</b>
Taxation	30	<b>(105,837,473)</b>	(87,346,693)
<b>Profit after taxation</b>		<b>26,391,757</b>	<b>72,836,506</b>
 <b>Earnings per share - basic and diluted</b>	 31	 <b>1.57</b>	 <b>4.34</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Note</i>	<i>2020 Rupees</i>	<i>2019 Rupees</i>
<b>Profit for the year</b>		<b>26,391,757</b>	72,836,506
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to statement of profit or loss</b>			
Remeasurement on defined benefit obligation	18	3,862,682	(946,453)
Deferred tax		(774,290)	175,499
		<b>3,088,392</b>	(770,954)
Transfer from deferred tax due to change rate on opening revaluation surplus		<b>(14,570,675)</b>	(5,468,796)
Surplus on revaluation of land, buildings and plant & machinery		-	633,796,831
Related deferred tax thereon		-	(80,195,439)
		-	553,601,392
<b>Total comprehensive Income for the year</b>		<b>14,909,474</b>	<b>620,198,148</b>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2020**

Note	Share capital	Capital Reserves	Revenue Reserve		Total
		Surplus on revaluation of property, plant and equipment	Unappropriated profit	General reserve	
----- Rupees -----					
<b>Balance as at June 30, 2018</b>	<b>168,000,000</b>	<b>680,437,132</b>	<b>275,898,262</b>	<b>168,000,000</b>	<b>1,292,335,394</b>
Profit for the year	-	-	72,836,506	-	72,836,506
Other comprehensive income / (loss) for the year	-	(5,468,796)	(770,954)	-	(6,239,750)
Total comprehensive income for the year	-	(5,468,796)	72,065,552	-	66,596,756
Dividend for the year ended June 30, 2018 @ 1.25 per Share	-	-	(21,000,000)	-	(21,000,000)
Addition in revaluation surplus as on June 30, 2019	-	633,796,831	-	-	633,796,831
Transfer to deferred tax on account of revaluation surplus	-	(80,195,439)	-	-	(80,195,439)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(40,844,797)	40,844,797	-	-
Transfer of present value adjustment on long term loans from related parties*	-	-	2,360,023	-	2,360,023
<b>Balance as at June 30, 2019</b>	<b>168,000,000</b>	<b>1,187,724,930</b>	<b>370,168,634</b>	<b>168,000,000</b>	<b>1,893,893,564</b>
Profit for the year	-	-	26,391,757	-	26,391,757
Other comprehensive income / (loss) for the year	-	(14,570,675)	3,088,392	-	(11,482,283)
Total comprehensive income for the year	-	(14,570,675)	29,480,149	-	14,909,474
Dividend for the year ended June 30, 2019 @ 1.75 per Share	-	-	(29,400,000)	-	(29,400,000)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(39,511,737)	39,511,737	-	-
Transfer of present value adjustment on long term loans from related parties*	-	-	15,418,482	-	15,418,482
<b>Balance as at June 30, 2020</b>	<b>168,000,000</b>	<b>1,133,642,519</b>	<b>425,179,002*</b>	<b>168,000,000</b>	<b>1,894,821,521</b>

\* This includes unamortised portion of interest free loan obtain from related parties amounting to Rs. 6,409,238 (2019: Rs. 5,502,490) which is not available for The annexed notes from 1 to 44 form an integral part of these financial statements.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		132,229,230	160,183,199
Adjustments for:			
Depreciation on property, plant and equipment		129,216,301	88,854,592
(Gain)/ loss on disposal of fixed assets		(201,914)	18,517,853
Provision for staff retirement benefits - gratuity		25,587,334	23,355,734
Finance cost		261,941,204	171,684,906
		<u>416,542,925</u>	<u>302,413,085</u>
Operating cash flows before working capital changes		548,772,155	462,596,284
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(6,953,096)	(13,537,639)
Stock in trade		(386,635,402)	(387,617,008)
Trade debts		42,545,249	(30,661,941)
Loans and advances		(47,625,214)	(26,114,698)
Sales tax refundable		48,557,928	(28,136,724)
Export rebate refundable		615,053	45,906,971
		<u>(349,495,482)</u>	<u>(439,939,236)</u>
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables (excluding unclaimed dividend)		(255,837,229)	410,994,232
		<u>(56,560,556)</u>	<u>433,651,280</u>
Cash (used in) / generated from operations		(92,985,833)	(84,886,787)
Income tax paid		(14,671,115)	(16,733,250)
Gratuity paid		(238,188,059)	(157,079,828)
Finance cost paid		<u>(345,845,007)</u>	<u>(258,699,865)</u>
Net cash (used in)/ generated from operating activities		(402,405,563)	174,951,415
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment- net		(168,002,932)	(379,316,218)
Additions in capital work in progress		(597,022)	(31,719,587)
Proceeds from disposal of property, plant and equipment		300,000	6,250,000
Net cash used in investing activities		<u>(168,299,954)</u>	<u>(404,785,805)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing from commercial banks		127,908,483	196,676,020
Repayment of lease liabilities		(1,643,248)	(1,655,090)
Proceeds from long term loans obtained from related parties		-	9,490,000
Repayment of long term financing		(50,270,298)	(72,824,836)
Short term borrowings - net		534,683,999	65,783,948
Long term deposits		(2,411,400)	(101,550)
Dividend paid		(22,767,362)	(19,814,322)
Net cash generated from financing activities		585,500,174	177,554,170
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		14,794,657	(52,280,220)
Cash and cash equivalents at beginning of the year		20,709,594	72,989,814
Cash and cash equivalents at end of the year		<u>35,504,251</u>	<u>20,709,594</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**1. GENERAL INFORMATION**

**1.1** Maqbool Textile Mills Limited (the "Company") was incorporated in Pakistan on December 03, 1989 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges). The registered office of the Company is situated at 2-Industrial Estate Multan, Pakistan. The Company is principally engaged in manufacturing and sale of yarn, cotton seed and cotton lint. The Company's area of the mill at unit 1 and unit 2 is 63.77 acres located at M.M. Road, Chowk Sarwar Shaheed, District Muzaffargarh and area of unit 3 is 29.14 acres located at Rajana Road, Pirmahal, District Toba Tek Singh.

**2. STATEMENT OF COMPLIANCE**

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

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

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

**3. STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR**

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020**

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<i>Effective from accounting period beginning on or after</i>
IFRS 16 Leases, this standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 1, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 1, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 1, 2019

Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement January 1, 2019

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to 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'. January 1, 2019

***Effective from accounting period beginning on or after***

IFRS 14 Regulatory Deferral Accounts - IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016. However, SECP has adopted from July 01, 2019. July 1, 2019

Certain annual improvements have also been made to a number of IFRS.

**3.2 *New accounting standards, amendments to published standards and interpretations that are not yet effective.***

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS January 1, 2020

Amendments to IFRS 3 'Business Combinations' - Definition of a business January 1, 2020

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate January 1, 2020

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions January 1, 2020

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Clarify the definition of Material and align the definition used in the Conceptual Framework and the Standards January 1, 2020

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 1, 2022

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 1, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts cost of fulfilling a contract January 1, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 1, 2023

Certain annual improvements have also been made to a number of IFRS.

**3.2.1 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:**

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 17 Insurance Contracts

**3.2.2 Impact of initial application of IFRS 16 Leases**

IFRS 16 Leases replaced IAS 17 Leases, the former lease accounting standard and became effective from July 01, 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

On adoption of IFRS 16, the Company recognized lease liability which had previously been classified as finance leases under the principles of IAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate as of July 1, 2019.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessees incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

From July 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has assessed that there is no impact of IFRS 16 on the Company financial statements and results of transition is summarized below:

Previously used nomenclature	Current nomenclature	Amount as per IAS 17	Amount as per IFRS 16
<b>(Rupees)</b>			
<b>As at July 1, 2019</b>			
Vehicles -leased	Vehicles- right of use assets	4,574,327	4,574,327
Liabilities against assets subject to finance lease	Lease Liabilities	4,543,903	4,543,903
<b>As at June 30, 2020</b>			
Vehicles -leased	Vehicles- right of use assets	<b>13,881,995</b>	<b>13,881,995</b>
Liabilities against assets subject to finance lease	Lease Liabilities	<b>14,682,655</b>	<b>14,682,655</b>

### 3.3 *Significant estimates*

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

Significant areas requiring the use of management estimates in these financial statements relate to the revaluation of certain item of property, plant and equipment, useful life of depreciable assets, employee retirement benefits, provision for doubtful receivables and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

## 4. **SIGNIFICANT ACCOUNTING POLICIES**

### 4.1 *Basis of measurement*

These financial statements have been prepared under historical cost convention except indicated in note 4.4.1, 4.4.9 and 4.4.15.

### 4.2 *Functional and presentation currency*

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

### 4.3 *Critical judgments and accounting estimates in applying the accounting policies*

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimate is revised if the revision affects only that period, or in the period of revision and future period if the revision affects both current and future periods.

In preparing these financial statements, the significant judgment made by the management in applying accounting policies include:

- useful lives of property, plant and equipment (notes 4.4.1 and 5.1)
- provision for staff retirement benefits (notes 4.4.9 and 18)
- provision for taxation (notes 4.4.8 and 30)
- revaluation of property, plant and equipment (notes 4.4.1 and 5.5)
- provision for trade debts under expected credit loss model (note 4.4.4.1(d))
- provision for loans and advances to suppliers ( note 9)

#### **4.4 Summary of accounting policies**

##### **4.4.1 Property, plant and equipment**

Property, plant and equipment except freehold land, building on freehold land, plant and machinery and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land, building on freehold land, plant and machinery, generator, electric fittings and installations are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Freehold land is stated at revalued amount being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the statement of financial position date. Any revaluation increase arising on the revaluation of such asset is credited in 'Surplus on revaluation of property, plant and equipment'. A decrease in the carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation account. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation (net of deferred tax) is transferred directly to retained earnings/unappropriated profit. Depreciation on property, plant and equipment, except freehold land and capital work-in-progress, is charged to statement of profit or loss applying reducing balance method over the estimated useful lives of the assets at the rates shown in note 5.1 to the financial statements. Depreciation on additions is charged from the month the asset is available for use up to month immediately preceding the date of disposal.

Gains and losses on disposal of property, plant and equipment if any, are recognized in statement of profit or loss, as and when incurred. Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized.

##### **4.4.2 Right-of-use assets and lease liabilities**

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. At initial recognition, liabilities were discounted using the Company's incremental borrowing rate. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortised cost using the effective interest rate.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

#### **4.4.3 Capital work-in-progress**

Capital work-in-progress (CWIP) is stated at cost less any recognized impairment loss. All expenditures connected to the specific assets incurred during installation and construction period are carried under CWIP. These are transferred to specific assets as and when assets are ready for their intended use.

#### **4.4.3 Impairment of non-financial assets**

The Company assesses at each statement of financial position date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

#### **4.4.5 Financial Instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of profit or loss.

##### **4.4.5.1 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.



**Classification of financial assets****a) Debt instruments measured at amortised cost**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

**Amortised cost and effective interest method**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents and trade debts at amortized cost.

**b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)**

Debt instruments that meet specified conditions and are measured subsequently at fair value through other comprehensive income (FVTOCI).

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

**c) Equity instruments designated as at FVTOCI**

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company does not hold any equity instrument classified as at FVTOCI.

**d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)**

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

As at reporting date, the Company carries investments in shares classified as at FVTPL.

**Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses(ECL) on financial assets that are measured at amortised cost , as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debts. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. IFRS9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

***Definition of default:***

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the trade debts are unlikely to pay its trade payables, including the Company, in full (without taking into account any collateral held by the Company).

***Write-off policy***

The Company writes off financial assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognised in statement of profit or loss.

***Derecognition of financial assets***

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

**4.4.5.2 Financial liabilities**

**Subsequent measurement of financial liabilities**

Financial liabilities that are not

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL.

are measured subsequently at amortised cost using the effective interest

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**4.4.5.3 Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit or loss.

**4.4.5.4 Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Company has a current legal enforceable right to set off the recognized amount and the Company also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**4.4.6 Stores and spares**

These are valued at lower of cost and net realizable value, determined on moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

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

**4.4.7 Stock in trade**

These are valued at lower of cost and net realizable value. Cost is determined as :

Raw material	Weighted average cost.
Material in transit	Cost accumulated up to statement of financial position date.
Work in process	Average manufacturing cost.
Finished goods	Average manufacturing cost.
Waste	Net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated cost necessary to be incurred to effect such sale.

**4.4.8 Cash and cash equivalents**

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

**4.4.9 Taxation**

**Current**

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or provisions of minimum tax, or provisions of alternative corporate tax. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

**Deferred**

Deferred taxation is recognized, using the statement of financial position liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of the realization or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantially enacted at the statement of financial position date.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

**4.4.10 Staff retirement benefits - gratuity**

The main features of the scheme operated by the Company for its employees are as follows:

**Defined benefit plan**

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2020 using Projected Unit Credit Method. The following significant assumptions have been used for valuation of defined benefit obligation of the company:

	<b>2020</b>	<b>2019</b>
- Discount rate	<b>8.5%</b>	12.5%
- Expected increase in eligible salary	<b>7.50%</b>	11.50%
- Average expected remaining working life time	<b>10 years</b>	10 years
- Mortality rate	<b>SLIC (2001-2005)</b>	

**4.4.11 Revenue recognition**

Revenue from contracts with customers is recognized at the point in time when the performance obligation is satisfied i.e. control of goods is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods.

**4.4.12 Foreign currency translation**

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the period.

**4.4.13 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to statement of profit or loss in the period in which they are

**4.4.14 Dividend**

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

**4.4.14 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the amortized cost of the consideration to be paid in future for goods and services received whether billed to the Company or not.

**4.4.15 Provisions**

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

**4.4.16 Earnings per share**

The Company presents basic and diluted earnings per shares (EPS). Basic EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2020 Rupees	2019 Rupees
Operating fixed assets	5.1	2,787,131,888	2,704,551,695
Capital work-in-progress	5.4	597,022	32,109,649
		<u>2,787,728,910</u>	<u>2,736,661,344</u>

5.1 Operating fixed assets

Particulars	Cost / Revalued amount			Accumulated depreciation			Written Down Value as at June 30, 2020	Rate %		
	At July 01, 2019	Additions/ (Disposals)	Revaluation Adjustment	At June 30, 2020	At July 01, 2019	Charge for the year			Revaluation Adjustment	At June 30, 2020
Land - freehold	431,677,500	-	-	431,677,500	-	-	-	-	431,677,500	-
Buildings on freehold land	567,533,181	1,900,384	-	569,433,565	-	28,422,895	-	28,422,895	541,010,670	5
Plant and machinery	2,009,915,024	191,025,086	-	2,200,940,110	385,453,024	87,092,537	-	472,545,561	1,728,394,549	5
Generator	15,100,517	-	-	15,100,517	6,476,316	862,420	-	7,338,736	7,761,781	10
Electric fittings and installations	98,210,839	6,226,531	-	104,437,370	50,165,383	7,751,383	-	57,916,766	46,520,604	15
Tools and equipment	1,586,471	4,500	-	1,590,971	755,833	81,465	-	837,298	753,673	10
Office equipment	9,629,104	356,700	-	9,985,804	5,304,195	452,868	-	5,757,063	4,228,741	10
Telephone installations	3,404,021	275,000	-	3,679,021	1,892,407	171,786	-	2,064,193	1,614,828	10
Furniture & fixtures	10,220,608	56,500	-	10,277,108	5,872,509	439,618	-	6,312,127	3,964,981	10
Arms & ammunitions	878,795	-	-	878,795	371,269	50,753	-	422,022	456,773	10
Weighing scales	2,373,842	-	-	2,373,842	1,510,505	86,334	-	1,596,839	777,003	10
Tube well	1,186,036	-	-	1,186,036	794,149	39,189	-	833,338	352,698	10
Fire extinguishing equipment	1,708,142	-	-	1,708,142	1,159,849	54,829	-	1,214,678	493,464	10
Vehicles	34,995,693	267,880	-	34,568,573	28,686,967	1,235,892	-	29,325,945	5,242,628	20
	-	(695,000)	-	-	-	(666,414)	-	-	-	-
Vehicles-right of use asset	5,510,530	11,782,000	-	17,292,530	936,203	2,474,332	-	3,410,535	13,881,995	20
	<b>3,193,930,303</b>	<b>211,894,581</b>	<b>-</b>	<b>3,405,129,884</b>	<b>489,378,609</b>	<b>129,216,301</b>	<b>-</b>	<b>617,997,996</b>	<b>2,787,131,888</b>	
		<b>(695,000)</b>								

For comparative period

Particulars	Cost / Revalued amount			Accumulated depreciation			Written Down Value as at June 30, 2019	Rate %	
	At July 01, 2018	Additions/ (Disposals)	Revaluation Adjustment	At June 30, 2019	At July 01, 2018	For the year			Revaluation Adjustment
Land - freehold	230,369,000	-	201,308,500	431,677,500	-	-	-	431,677,500	-
Buildings on freehold land	424,192,295	42,791,448	100,549,438	567,533,181	78,640,356	17,644,838	(96,285,194)	567,533,181	5
Plant and machinery	1,572,747,705	322,887,871 (28,800,000)	143,079,448	2,009,915,024	424,759,589	59,196,350 (5,928,664)	(92,574,251)	385,453,024	5
Generator	15,100,517	-	-	15,100,517	5,518,072	958,244	-	6,476,316	10
Electric fittings and installations	87,258,172	10,952,667	-	98,210,839	43,014,840	7,150,543	-	50,165,383	15
Tools and equipment	1,568,971	17,500	-	1,586,471	663,540	92,293	-	755,833	10
Office equipment	9,251,372	377,732	-	9,629,104	4,846,683	457,512	-	5,304,195	10
Telephone installations	3,404,021	-	-	3,404,021	1,724,450	167,957	-	1,892,407	10
Furniture & fixtures	10,168,608	52,000	-	10,220,608	5,391,535	480,974	-	5,872,509	10
Arms & ammunitions	878,795	-	-	878,795	314,877	56,392	-	371,269	10
Weighing scales	2,373,842	-	-	2,373,842	1,414,579	95,926	-	1,510,505	10
Tube well	1,096,036	90,000	-	1,186,036	752,272	41,877	-	794,149	10
Fire extinguishing equipment	1,708,142	-	-	1,708,142	1,098,927	60,922	-	1,159,849	10
Vehicles	34,995,693	-	-	34,995,693	27,422,889	1,514,561	-	28,686,967	20
Vehicles-right of use asset	-	7,657,530 (2,147,000)	-	5,510,530	-	936,203 (250,483)	-	936,203	20
	<b>2,395,113,169</b>	<b>384,826,748</b> <b>(30,947,000)</b>	<b>444,937,386</b>	<b>3,193,930,303</b>	<b>595,562,609</b>	<b>88,854,592</b> <b>(6,179,147)</b>	<b>(188,859,445)</b>	<b>489,378,609</b>	<b>2,704,551,695</b>

----- Rupees -----

5.2 The following assets were disposed off during the year;

Particulars	Cost	Carrying value	Sale proceeds	(Loss)/Gain	Mode of Disposal	Relationship	Particulars of buyers
<b>Vehicle</b>							
Vehicle MNV-210	325,000	44,166	150,000	105,834	Negotiation	Third Party	Saad Ali
Vehicle LXZ-2255	370,000	53,920	150,000	96,080	Negotiation	Third Party	Muhammad Nasir
<b>2020</b>	<b>695,000</b>	<b>98,086</b>	<b>300,000</b>	<b>201,914</b>			
<b>2019</b>	<b>30,947,000</b>	<b>24,768,053</b>	<b>6,250,000</b>	<b>(18,517,853)</b>			

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>5.3</b>	<b>Allocation of depreciation</b>		
	Cost of goods sold	124,336,222	85,180,071
	Administrative expenses	4,880,077	3,674,521
		<b>129,216,299</b>	<b>88,854,592</b>
<b>5.4</b>	<b>Capital Work in Progress</b>		
	Machinery	597,022	32,109,649
		<b>597,022</b>	<b>32,109,649</b>
<b>5.4.1</b>	<b>Movement in capital work in progress</b>		
	Opening Balance	32,109,649	390,062
	Additions during the year	597,022	32,109,649
	Transferred to fixed assets	<b>(32,109,649)</b>	<b>(390,062)</b>
		<b>597,022</b>	<b>32,109,649</b>
<b>5.5</b>	Revaluation of freehold land, building on free hold land and plant & machinery that was carried out as on June 30, 2019 by independent valuer M/s MYK Associate (Pvt.) Limited on the basis of depreciated replacement value. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment. The basis used for the revaluation of these assets were as follows:		
	<b><u>Freehold land and building on free hold land</u></b>		
	Fair market value of the land was assessed through inquiries from various estate agents, brokers and builders / developers and keeping in view the location of the property, its size, status, utilization, cost of new construction, construction standard, depreciation cost factor, state of infrastructure and current trends in prices of real estate in the vicinity of the property.		
	<b><u>Plant and machinery</u></b>		
	Fair market value of the plant and machinery was assessed through inquiries of local authorized dealers who deal in old and new similar type of plant and machineries. Replacement value was then ascertained from competitive rates of the plant and machinery and thereafter, an average depreciation factor was applied on the replacement value of the plant and machinery.		
<b>5.6</b>	Forced sale value of the above revalued items of property, plant and equipment is as follows		
			<b>Rupees</b>
	Land - freehold		345,347,000
	Buildings on freehold land		454,026,548
	Plant and machinery		1,137,123,400
			<b>1,936,494,498</b>
<b>5.7</b>	Had there been no revaluation, the related carrying amounts of freehold land, building and machinery would have been as follows:		
		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
	Land - freehold	31,787,994	31,787,994
	Buildings on freehold land	138,733,994	144,084,049
	Plant and machinery	1,224,649,597	1,094,204,156
	Generator	3,425,089	3,805,655
	Electric fittings and installations	39,166,738	39,393,849
		<b>1,437,763,413</b>	<b>1,313,275,702</b>
<b>6.</b>	<b>STORES AND SPARES</b>		
	Stores and spares	45,550,359	41,843,551
	Packing material	15,550,505	12,304,217
		<b>61,100,864</b>	<b>54,147,768</b>



	<i>Note</i>	<i>2020 Rupees</i>	<i>2019 Rupees</i>
<b>7. STOCK IN TRADE</b>			
Raw materials		921,526,270	878,873,716
Work in process		52,937,052	56,959,742
Finished goods:			
-Yarn		400,945,867	54,391,754
-Waste		5,790,264	4,338,839
		406,736,131	58,730,593
		<b>1,381,199,453</b>	<b>994,564,051</b>
<b>8. TRADE DEBTS</b>			
<i>Considered good</i>			
Export - secured	8.1	-	301,490,560
Local - unsecured	8.2 & 8.3	599,099,932	340,154,621
		599,099,932	641,645,181
		<b>599,099,932</b>	<b>641,645,181</b>
<b>8.1</b>	Export trade debts are realized on early discounting or retirement of letter of credits (LCs) upon 90-120 days. All outstanding LCs are through irrevocable and confirmed LCs.		
<b>8.2</b>	Local trade debts are non-interest bearing and are generally on 61 to 89 day terms.		
<b>8.3</b>	Local trade debts include debtors with a carrying amount of Rs. 1.8 million (2019: Rs. 0.058 million) which are past due at the reporting date but not impaired as there has not been any significant change in credit quality and the amounts are still considered recoverable.		
<b>8.3.1</b>	<i>Aging of amounts past due but not impaired</i>		
	<i>Note</i>	<i>2020 Rupees</i>	<i>2019 Rupees</i>
90 - 120 days		1,652	46,012
120 days and above		1,815,008	11,980
		<b>1,816,660</b>	<b>57,992</b>
<b>9. LOANS, ADVANCES AND PREPAYMENTS</b>			
Advance to suppliers - considered good		73,936,737	33,011,213
Advance to suppliers - considered doubtful		1,794,628	1,794,628
Loans to employees - considered good		5,465,078	4,938,234
		81,196,443	39,744,075
Provision for expected credit losses		(1,794,628)	(1,794,628)
		79,401,815	37,949,447
L/Cs in transit		19,848,671	13,675,825
Minimum tax deposited under protest	30.2	848,021	848,021
Prepayments		221,803	221,803
		<b>100,320,310</b>	<b>52,695,096</b>
<b>10. DUE FROM GOVERNMENT</b>			
Sales Tax Refundable		40,121,842	105,992,408
Income Tax Refundable		67,736,568	50,423,930
Export Rebate Refundable		46,140,920	46,755,973
		<b>153,999,330</b>	<b>203,172,311</b>
<b>11. CASH AND BANK BALANCES</b>			
Cash in hand		997,283	4,255,294
Cash at banks - current accounts		34,506,968	16,454,300
		<b>35,504,251</b>	<b>20,709,594</b>

**12. SHARE CAPITAL**

	2020	2019		2020	2019
	Number of shares		Note	Rupees	Rupees
			<b>Authorized</b>		
			Ordinary shares of Rs. 10		
	<b>20,000,000</b>	<b>20,000,000</b>	each	<b>200,000,000</b>	200,000,000
			<b>Issued, subscribed and paid up</b>		
			Ordinary shares of Rs. 10 each		
	<b>16,800,000</b>	<b>16,800,000</b>	fully paid in cash	<b>168,000,000</b>	168,000,000

**12.1** The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**13. SURPLUS ON REVALUTAION OF PROPERTY, PLANT AND EQUIPMENT**

	Note	2020 Rupees	2019 Rupees
Opening balance		1,367,066,633	783,412,449
Addition during the year	13.10	-	633,796,831
On account of incremental depreciation charged during the year - net of tax		(39,511,737)	(24,333,917)
On account of disposal in plant & machinery		-	(16,510,880)
Related deferred tax liability on incremental depreciation		(9,953,208)	(9,297,850)
		<b>(49,464,945)</b>	<b>(50,142,647)</b>
Closing balance		<b>1,317,601,688</b>	1,367,066,633
<b>Less: related deferred tax liability</b>			
Opening balance		179,341,702	102,975,317
Addition during the year	13.10	-	80,195,439
Related deferred tax liability on incremental depreciation		(9,953,208)	(9,297,850)
Deferred tax due to rate change		14,570,675	5,468,796
		<b>183,959,169</b>	179,341,702
Closing balance		<b>1,133,642,519</b>	<b>1,187,724,930</b>

**13.1** The Company has revalued its Freehold land, Building on free-hold land and Plant and machinery as on June 30, 2019 as disclosed in note 5.5 of the financial statements.

**14. LONG TERM FINANCING**

**From banking companies - secured**

	Note	2020 Rupees	2019 Rupees
Habib Bank Limited			
- LTFF	14.1	29,012,765	47,014,701
- LTFF II	14.2	170,744,525	196,676,020
- LFFF III	14.3	19,010,597	25,347,464
- Demand Finance	14.4	37,908,483	-
		<b>256,676,370</b>	269,038,185
Bank Al Habib Limited			
- Term Finance	14.5	90,000,000	-
		<b>346,676,370</b>	<b>269,038,185</b>
Less: Current portion		58,123,114	74,338,672
		<b>288,553,256</b>	<b>194,699,513</b>

**14.1 Habib Bank Limited - LTFF**

This finance has been obtained from Habib Bank Limited (HBL) for BMR / expansion. The loan is repayable in 8 equal half yearly installments commenced from May 9, 2017. Repayment of principal of this loan has been deferred for 1 year from March 27, 2020 to March 26,2021 as per SBP circular no 14 dated March 26, 2020. It carries markup at flat rate 5%. This finance is secured against first pari passu charge amounting to Rs. 600 million over the fixed assets of the Company and personal guarantees of directors of the Company.

**14.2 Habib Bank Limited - LTFF II**

This finance has been obtained from HBL for Extension/BMR of Unit No.1. The loan is repayable in 16 equal quarterly installments with one year grace period, commenced from December 28, 2019.Repayment of principal of this loan has been deferred for 1 year from March 27, 2020 to March 26,2021 as per SBP circular no 14 dated March 26, 2020. It carries markup at flat rate of 4%. This finance is secured against first pari passu charge amounting to Rs. 600 million over the fixed assets of the Company and personal guarantees of directors of the Company.

**14.3 Habib Bank Limited - LTFF III**

This finance has been obtained from HBL against retirement of import bills of machinery imported against sanctioned DF/LTF finance facility of Rs. 245 Million. This loan amount has been transferred to LTF/EOP finance from demand finance on August 8, 2019 after approval from SBP.Repayment of principal of this loan has been deferred for 1 year from March 27, 2020 to March 26,2021 as per SBP circular no 14 dated March 26, 2020. It carries markup at flat rate of 4%. This finance is secured against first pari passu charge amounting to Rs.600 million over the fixed assets of the Company and personal guarantees of directors of the Company.

**14.4 Habib Bank Limited - DF**

This finance has been obtained form HBL for reprofiling/refinancing of capital expenditures (CAPEX) already incurred by the company. This loan was obtained on August 8, 2019. This loan amount will be transferred to LTF finance after approval from SBP. It is repayable in 16 quarterly installments commenced from December 28, 2019 and is secured against first pari passu charge amounting to Rs. 600 million over the fixed assets of the Company and personal guarantees of directors of the Company.Repayment of principal of this loan has been deferred for 1 year from March 27, 2020 to March 26,2021 as per SBP circular no 14 dated March 26, 2020. It carries markup at the rate of 6 month KIBOR + 1.50%. During the year, markup was charged at 12.15% to 14.99%..

**14.5 Bank AL Habib Limited - Term Finance**

This finance has been obtained from Bank Al habib Limited for reprofiling/refinancing of CAPEX already incurred by the company. The loan was obtained on December 31, 2019 without grace period. It is repayable in 10 quarterly installments commencing from March 31, 2020 and is secured against first pari passu charge amounting to Rs. 267 million over fixed assets of the company and personal guarantees of directors of the company.Repayment of principal of this loan has been deferred for 6 months from March 27, 2020 to September 20,2021 as per SBP circular no 14 dated March 26, 2020. It carries markup at the rate of 6 month KIBOR + 1.50%. During the year, markup was charged at 14.99%.

	<i>Note</i>	<b>2020</b> <i>Rupees</i>	<b>2019</b> <i>Rupees</i>
<b>15. LONG TERM LOANS FROM RELATED PARTIES</b>			
Interest free loans from Directors and Chief Executive	15.1	<b>64,092,383</b>	60,949,916
Less: present value adjustment		<b>(15,418,482)</b>	(2,360,023)
		<b>48,673,901</b>	<b>58,589,893</b>
Add: unwinding of discount	29	<b>6,409,238</b>	5,502,490
		<b>55,083,139</b>	<b>64,092,383</b>

**15.1** The Company entered into agreements of subordinated loan with HBL from various related parties (directors / chief executive) in their capacity as sponsors, whereby the repayment of loans was deferred for a period of three years. This loan was disbursed in two parts, first in June 2017 amounting to Rs. 62 million and second in January 2019 amounting to 9.5 million. These loans are interest free, unsecured and are repayable in full at the end of three-year period unless further extended by mutual agreement. In current year, loan amounting to Rs. 62 million was extended for further three years upto June 2023 using the discount rate of 10% per annum. The fair value of the loans was estimated at Rs. 46 million. The difference of Rs. 15.42 million, between the gross proceeds and the fair value of loans is recognized in equity through a transfer to unappropriated profit (the unamortized portions is not available for distribution). During the year, the unwinding of discount (i.e., unwinding of the difference between present value on initial recognition and the amount received) amounting to Rs. 6.41 million (2019: 5.5 million) is recognized in

<b>16. LEASE LIABILITIES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>Rupees</b>	<b>Rupees</b>
Present value of minimum lease payments		14,682,655	4,543,903
Current portion shown under current liabilities		<b>(2,380,410)</b>	<b>(712,973)</b>
		<b>12,302,245</b>	<b>3,830,930</b>

Minimum lease payments have been discounted at an implicit interest rate ranging from 7.9% to 12.13% per annum (2019: 6.48% to 9.55% per annum) to arrive at their present values. The lessee has the option to purchase the assets after expiry of the lease term.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

<b>2020</b>	<b>Minimum lease payment</b>	<b>Future finance charge</b>	<b>Present value of lease liability</b>
------(Rupees)-----			
Not later than one year	3,975,422	1,595,012	2,380,410
Later than one year and not later than five years	<b>15,459,184</b>	<b>3,156,939</b>	<b>12,302,245</b>
	<b>19,434,606</b>	<b>4,751,951</b>	<b>14,682,655</b>
<b>2019</b>	<b>Minimum lease payment</b>	<b>Future finance charge</b>	<b>Present value of lease liability</b>
------(Rupees)-----			
Not later than one year	1,130,991	418,018	712,973
Later than one year and not later than five years	4,569,290	738,360	3,830,930
	<b>5,700,281</b>	<b>1,156,378</b>	<b>4,543,903</b>

**17. DEFERRED TAXATION**

**17.1** The liability for deferred taxation comprises timing differences relating to:

<b>Taxable temporary differences on:</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>Rupees</b>	<b>Rupees</b>
-Surplus on revaluation of property, plant and equipment		183,959,170	179,341,703
-Accelerated tax depreciation on property, plant and equipment		<b>188,749,379</b>	133,315,900
		<b>372,708,549</b>	312,657,603
<b>Deductible temporary differences on:</b>			
-Provision for staff retirement benefits - gratuity		<b>(7,607,988)</b>	(5,729,767)
-Brought forward tax losses		<b>(19,521,388)</b>	-
-Provision for doubtful receivables		<b>(359,741)</b>	(332,774)
		<b>345,219,432</b>	<b>306,595,062</b>

**17.2 Movement for the year ended June 30, 2020**

	<b>Balance as at July 01, 2019</b>	<b>Recognized in statement of profit and loss</b>	<b>Recognized in SOCI</b>	<b>Balance as at June 30, 2020</b>
----- Rupees -----				
<b>Deferred tax credits</b>				
Surplus on revaluation of property, plant and equipment	179,341,703	(9,953,208)	14,570,675	183,959,170
Accelerated tax depreciation	133,315,900	55,433,479	-	188,749,379
<b>Deferred tax debits</b>				
Brought forward tax losses	-	(19,521,388)	-	(19,521,388)
Provision for gratuity	(5,729,767)	6,144,316	(774,290)	(359,741)
Provision against doubtful advances	(332,774)	(7,275,214)	-	(7,607,988)
<b>June 30, 2020</b>	<b>306,595,062</b>	<b>24,827,985</b>	<b>13,796,385</b>	<b>345,219,432</b>

**Movement for the year ended June 30, 2019**

	<b>Balance as at July 01, 2018</b>	<b>Recognized in statement of profit and loss</b>	<b>Recognized in SOCI</b>	<b>Balance as at June 30, 2019</b>
----- Rupees -----				
<b>Deferred tax credits</b>				
Surplus on revaluation of property, plant and equipment	102,975,319	(9,297,851)	85,664,235	179,341,703
Accelerated tax depreciation	95,404,842	37,911,058	-	133,315,900
<b>Deferred tax debits</b>				
Brought forward tax losses	-	-	-	-
Provision for gratuity	(4,108,102)	(1,446,166)	(175,499)	(5,729,767)
Provision against doubtful advances	(315,993)	(16,781)	-	(332,774)
<b>June 30, 2019</b>	<b>193,956,066</b>	<b>27,150,260</b>	<b>85,488,736</b>	<b>306,595,062</b>

**18. STAFF RETIREMENT BENEFITS - GRATUITY**

The Company has a defined benefit plan comprising an un-funded gratuity scheme for its permanent employees. Latest actuarial valuation has been conducted as at June 30, 2020.

	<i>Note</i>	<i>2020</i> <i>Rupees</i>	<i>2019</i> <i>Rupees</i>
<b><i>Liability recognized in the statement of financial position</i></b>			
Present value of defined benefit obligation		<b>37,953,766</b>	<b>30,900,229</b>
<b><i>Movement in liability for defined benefit obligation</i></b>			
Opening balance		<b>30,900,229</b>	23,331,292
Charge for the year		<b>25,587,334</b>	23,355,734
Actuarial (gain)/ loss		<b>(3,862,682)</b>	946,453
Benefits paid during the year		<b>(14,671,115)</b>	(16,733,250)
Provision for gratuity		<b>37,953,766</b>	<b>30,900,229</b>
<b><i>Change in present value of defined benefit obligation</i></b>			
Opening defined benefit obligation		<b>30,900,229</b>	23,331,292
Current service cost for the year		<b>22,641,750</b>	22,158,561
Interest cost for the year		<b>2,945,584</b>	1,197,173
Benefits paid during the year		<b>(14,671,115)</b>	(16,733,250)
Remeasurement of plan obligation		<b>(3,862,682)</b>	946,453
		<b>37,953,766</b>	<b>30,900,229</b>
<b><i>Charge for the year</i></b>			
Current service cost		<b>22,641,750</b>	22,158,561
Interest cost		<b>2,945,584</b>	1,197,173
		<b>25,587,334</b>	<b>23,355,734</b>
<b><i>Charge for the year has been allocated as follows:</i></b>			
Cost of goods sold	24.2	<b>23,883,638</b>	21,301,898
Administrative expenses	27.1	<b>1,703,696</b>	2,053,836
		<b>25,587,334</b>	<b>23,355,734</b>

***Total remeasurements chargeable to other comprehensive income***

Remeasurement of plan obligation:			
Experience adjustments		<b>(3,862,682)</b>	946,453

***Maturity Profile***

Average duration of liability	<b>10 Years</b>	10 Years
-------------------------------	-----------------	----------

***Expected contribution for the next year***

The expected contribution to the gratuity scheme for the next year works out to Rs. 29.46 million.

***Sensitivity analysis as at June 30, 2020***

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 100 basis points higher / (lower), the defined benefit obligation would decrease by Rs. 4.16 million/ (increase by Rs. 5.14 million).

- If the expected rate of salary increases / (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 5.14 million / (decrease by Rs. 4.17 million).

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statement of financial position.

	<i>Note</i>	<i>2020 Rupees</i>	<i>2019 Rupees</i>
<b>19. TRADE AND OTHER PAYABLES</b>			
Creditors		168,685,990	482,326,246
Contract liabilities (Advances from customers)		3,940,330	1,943,806
Accrued liabilities		147,092,029	106,040,054
Withholding tax payable		22,337,864	11,727,450
Workers' profit participation fund	19.1	10,893,613	8,381,494
Workers' welfare fund		7,391,256	6,823,691
Others		3,051,329	1,986,899
		<b>363,392,411</b>	<b>619,229,640</b>
<b>19.1 Workers' profit participation fund</b>			
Opening balance		8,381,494	3,746,153
Interest on funds utilized		1,093,207	359,225
		<b>9,474,701</b>	4,105,378
Paid during the year		-	(3,735,153)
		<b>9,474,701</b>	370,225
Allocation for the year	28	1,418,912	8,011,269
		<b>10,893,613</b>	<b>8,381,494</b>
<b>20. ACCRUED MARKUP</b>			
Accrued mark-up on:			
- Long term financing		6,878,939	2,918,253
- Short term borrowings		50,593,160	37,209,941
		<b>57,472,099</b>	<b>40,128,194</b>
<b>21. SHORT TERM BORROWINGS</b>			
<i>From banking companies - secured</i>			
Running finance	21.1	1,290,024,958	1,015,785,526
Cash finance	21.2	289,832,675	226,214,704
Murabaha finance	21.3	446,052,596	249,226,000
		<b>2,025,910,229</b>	<b>1,491,226,230</b>
<b>21.1</b>			
These running finance facilities have been obtained from various Banks for working capital requirements, and are secured against personal guarantee of directors and joint pari passu charge over current assets of the Company.			
Running finance facilities carry mark up at the rates ranging from 9.11% to 14.85% per annum (2019: 7.49% to 14.22% per annum).			
<b>21.2</b>			
These facilities have been obtained from various Banks for working capital requirements, and are secured against pledge of cotton bales, MM fiber, and yarn in lock and key under bank's muccaddum.			
Cash finance facilities carry mark up at the rates ranging from 9.21% to 15.1% per annum (2019: 7.78 to 13.79% per annum).			

**21.3** These facilities have been obtained from various banks for working capital requirements, and are secured against joint pari passu charge of Rs. 267 million over present and future current assets of the Company and personal guarantee of directors of the Company. These facilities carries profit at the rate ranging from 8.6% to 14.82% (2019: 7.41% to 11.72% ) per annum .

**21.4** Short term borrowings are available from various commercial banks under mark-up arrangements aggregating to Rs. 4,990 million (2019: Rs. 4,190 million) of which facilities remained un-utilized at the year end amounted to Rs. 2,962 million (2019: 2,699 million). Facilities available for opening letters of credit and guarantee aggregate to Rs. 770.23 million (2019: Rs. 336.29 million) of which facilities remained un-utilized at the year end were Rs. 645.07 million (2019: Rs. 336.29 million). All these facilities are expiring on various dates by March 31, 2021.

**22. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

**22.1** The Company during the year ended September 30, 1999, filed a writ petition with the Lahore High Court Multan Bench against the Chairman, Administrator Town Committee Muzaffargarh praying that the respondent be ordered to implement the orders of the Lahore High Court regarding the refund of the Zila Tax collected from the petitioner to the tune of Rs. 0.886 million. In this respect an amount of Rs. 0.161 million has been received against Zila Tax. The refund of the balance amount of Rs. 0.725 million is still

**22.2** The Company has imported textile machinery availing exemption from custom duty and sales tax on importation thereof under S.R.Os 554(1)/98, 987(1)/99 and 369(1)/2000. The Company has submitted indemnity bonds to the Customs Authorities in this regard. In case the conditions of aforementioned S.R.Os are violated, the amount of customs duty and sales tax exempted aggregating Rs. 65.283 million shall be recoverable by the Customs Authorities along with such penalties imposed in this regard under

**Commitments**

**22.3** Commitments outstanding at the end of the year in respect of irrevocable letter amounted to Rs. 125.16 million (2019: 13.6 million) and guarantees issued to Faisalabad Electric Supply Company on behalf of the Company is Rs. 7.40 million (2019: Rs. 7.40 million).

<b>23. REVENUE FROM CONTRACTS</b>	<b>Note</b>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Local			
-Yarn		<b>5,373,430,992</b>	4,773,916,443
-Waste		<b>49,720,401</b>	62,830,276
		<b>5,423,151,393</b>	4,836,746,719
Export			
-Yarn		<b>1,171,035,430</b>	1,314,018,322
		<b>6,594,186,823</b>	6,150,765,041
Sale of viscose		<b>52,386,652</b>	74,670,675
Sale of cotton		<b>28,349,815</b>	9,326,573
Sale of other raw materials		<b>19,451,298</b>	-
Less: Sales tax		<b>(852,685,029)</b>	-
		<b>5,841,689,559</b>	<b>6,234,762,289</b>



		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>24. COST OF GOODS SOLD</b>			
Raw materials consumed	24.1	3,960,499,905	4,394,902,774
Power and fuel		668,778,021	618,661,398
Salaries, wages and benefits	24.2	427,750,934	418,117,651
Depreciation	5.3	124,336,222	85,180,071
Stores consumed		50,987,944	58,352,535
Packing materials consumed		80,140,579	82,834,173
Repair and maintenance		11,506,379	12,500,632
Insurance		13,419,266	14,126,524
Others		19,990	17,100
		<b>5,337,439,240</b>	<b>5,684,692,858</b>
Work-in-process			
-Opening stock		56,959,742	40,096,000
-Closing stock		(52,937,052)	(56,959,742)
		<b>4,022,690</b>	<b>(16,863,742)</b>
Cost of goods manufactured		<b>5,341,461,930</b>	<b>5,667,829,116</b>
Finished goods			
-Opening stock		58,730,593	98,744,152
-Purchases and purchase expenses		228,210,675	9,885,319
-Closing stock		(406,736,131)	(58,730,593)
		<b>(119,794,863)</b>	<b>49,898,878</b>
		<b>5,221,667,067</b>	<b>5,717,727,994</b>
		<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>24.1 Raw materials consumed</b>			
Opening stock		878,873,716	468,106,891
Purchases and purchase expenses		4,001,663,614	4,802,350,207
		<b>4,880,537,330</b>	<b>5,270,457,098</b>
Closing stock		(921,526,270)	(878,873,716)
		<b>3,959,011,060</b>	<b>4,391,583,382</b>
Cotton cess		1,488,845	3,319,392
		<b>3,960,499,905</b>	<b>4,394,902,774</b>
<b>24.2</b>	These include Rs.23.8 million (2019: Rs. 21.3 million) in respect of staff retirement benefits.		
		<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>25. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Exchange gain		-	50,384,184
<b>Income from assets other than financial assets</b>			
Insurance claims		773,408	-
Warehouse rental income		-	2,449,531
Gain on disposal of fixed asset		201,914	403,483
		<b>975,322</b>	<b>2,853,014</b>
		<b>975,322</b>	<b>53,237,198</b>

		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
<b>26. SELLING AND DISTRIBUTION EXPENSES</b>			
Export expenses (including freight on export sales)		22,304,522	23,097,274
Commission		29,177,196	38,001,931
Export development surcharge		3,618,913	3,587,551
Freight, forwarding and others		10,205,601	12,054,061
		<b>65,306,232</b>	<b>76,740,817</b>
<b>27. ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		150,000	110,000
Salaries and benefits	27.1	87,424,649	81,690,860
Vehicles running and maintenance		12,446,646	10,858,489
Traveling and conveyance		7,053,090	8,300,574
Repairs and maintenance		6,749,449	3,673,298
Electricity and gas		6,661,220	6,092,470
Depreciation	5.3	4,880,077	3,674,521
Communication		4,612,889	3,221,026
Printing and stationery		3,243,643	3,193,695
Insurance		3,137,182	2,837,041
Fee and subscription		1,855,604	1,765,099
Entertainment		1,622,003	1,569,139
Donation	27.2	1,401,280	590,000
Auditors' remuneration	27.3	1,700,000	1,700,000
Legal and professional		1,203,691	975,921
Rent, rates and taxes		356,500	430,850
Others		1,654,225	843,087
		<b>146,152,148</b>	<b>131,526,070</b>
<b>27.1</b>	These include Rs. 1.7 million (2019: Rs. 2.05 million) in respect of staff retirement benefits.		
<b>27.2</b>	None of the directors or their spouses had any interest in the donee's fund.		
<b>27.3</b>	<b>Auditors' remuneration</b>		
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
Statutory audit fee		1,200,000	1,200,000
Half yearly review		300,000	300,000
CDC free float shares certification		100,000	100,000
Review report on Code of Corporate Governance		100,000	100,000
		<b>1,700,000</b>	<b>1,700,000</b>
<b>28. OTHER OPERATING EXPENSES</b>			
Exchange loss		13,382,523	-
Loss on sale of fixed assets		-	18,921,336
Worker's welfare fund		567,565	3,203,896
Worker's profit participation fund	19.1	1,418,912	8,011,269
		<b>15,369,000</b>	<b>30,136,501</b>

	<i>Note</i>	<b>2020</b> <i>Rupees</i>	<b>2019</b> <i>Rupees</i>
<b>29. FINANCE COST</b>			
Mark up on:			
-Long term financing		23,508,843	11,668,310
-Short term borrowings		220,507,523	145,346,677
-Lease liability		1,417,628	363,610
Interest on workers profit participation fund	19.1	1,093,207	359,225
		<b>246,527,201</b>	<b>157,737,822</b>
Unwinding of discount on loans from related parties	15	6,409,238	5,502,490
Bank charges		9,004,765	8,444,594
		<b>261,941,204</b>	<b>171,684,906</b>
<b>30. TAXATION</b>			
Current		81,770,166	58,505,089
Deferred		24,827,985	27,150,260
Prior year adjustment		(760,678)	1,691,344
		<b>105,837,473</b>	<b>87,346,693</b>
<b>30.1 Tax charge reconciliation</b>			
Applicable tax rate		<b>29%</b>	<b>29%</b>
Profit before tax		<b>132,229,230</b>	<b>160,183,199</b>
Tax on accounting profit before tax		38,346,477	46,453,128
Effect due to income chargeable at different rates		69,300,147	(80,177,131)
Effect due to income chargeable u/s 154		(7,907,430)	120,022,264
Effect due to change in tax rate		14,570,675	5,468,796
Effect due to tax credits		-	(16,144,394)
Prior year tax adjustment		(760,678)	1,691,344
Others		(7,711,718)	10,032,685
Current year provision		<b>105,837,473</b>	<b>87,346,693</b>
<b>30.2</b>	The Company, in view of the Supreme Court of Pakistan's Judgment dated June 04, 1997 is not liable to pay minimum tax under section 80-D of the repealed Income Tax Ordinance, 1979. Consequently, Minimum Tax paid under protest and tax deducted at source till September 30, 1999 were accounted for as loans and advances, as disclosed in note 9.		
<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
There is no dilutive effect on the basic earnings per share of the Company which is based on:			
		<b>2020</b>	<b>2019</b>
Profit for the year	<i>Rupees</i>	<b>26,391,757</b>	72,836,506
Weighted average number of shares	<i>Number</i>	<b>16,800,000</b>	16,800,000
Earnings per share - basic and diluted	<i>Rupees</i>	<b>1.57</b>	4.34

**32. FINANCIAL RISK MANAGEMENT**

**32.1** The Company is exposed 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 financial performance.

**32.2 Credit risk and concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. Out of the total financial assets of Rs. 633.61 million (2019: Rs. 662.35 million), the Company manages credit risk in trade debts by assigning credit limits to its customers and thereby does not have significant exposure to any individual customer.

Credit risk of the Company arises principally from long term deposits, trade debts, loans and advances and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

<i>Financial assets as per statement of financial position</i>	<b>2020</b> <i>Rupees</i>	<b>2019</b> <i>Rupees</i>
Trade debts	<b>599,099,932</b>	641,645,181
Bank balances	<b>34,506,968</b>	20,709,594
	<b>633,606,900</b>	<b>662,354,775</b>

**32.2.1 Credit risk related to Trade debts**

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

**31.2.2 Credit risk with banking companies**

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The names and credit ratings of major banks, where the Company maintains bank balances as at June 30, 2020 are as follows:

<i>Bank Name</i>	<i>Rating Agency</i>	<i>Short Term Loans</i>	<i>Long Term Loans</i>
The Bank of Punjab	PACRA	A1+	AA
Askari Bank Limited	PACRA	A1+	AA+
Bank Al habib Limited	PACRA	A1+	AA+
BankIslami Pakistan Limited	PACRA	A1	A+
Bank Alfalah Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A-1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA

**32.3.1 Liquidity and interest risk table**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	<i>Effective rate of interest (%)</i>	<i>1 - 3 months</i>	<i>3 months - 1 year</i>	<i>1 - 5 years</i>	<i>Total</i>
----- Rupees -----					
<b>Financial liabilities</b>					
<b>Interest bearing</b>					
Long term finance	4-14.99	-	58,123,114	288,553,256	346,676,370
Short term borrowings	8.6-15.1	-	2,025,910,229	-	2,025,910,229
<b>Non interest bearing</b>					
Long term loan from related parties		-	-	55,083,139	55,083,139
Unclaimed dividends		3,052,032	-	-	3,052,032
Unpaid dividend		9,851,010	-	-	9,851,010
Trade and other payables		341,167,212	-	-	341,167,212
Accrued mark up		57,472,099	-	-	57,472,099
<b>June 30, 2020</b>		<b>411,542,353</b>	<b>2,084,033,343</b>	<b>343,636,395</b>	<b>2,839,212,091</b>
<b>Financial liabilities</b>					
<b>Interest bearing</b>					
Long term finance	4 - 13.9	-	74,338,672	194,699,513	269,038,185
Short term borrowings	7.18 - 14.22	-	1,491,226,230	-	1,491,226,230
<b>Non interest bearing</b>					
Long term loan from related parties		-	-	64,092,383	64,092,383
Unclaimed dividends		3,052,032	-	-	3,052,032
Unpaid dividend		3,218,372	-	-	3,218,372
Trade and other payables		602,080,649	-	-	602,080,649
Accrued mark up		40,128,194	-	-	40,128,194
<b>June 30, 2019</b>		<b>648,479,247</b>	<b>1,565,564,902</b>	<b>258,791,896</b>	<b>2,472,836,045</b>

**32.3.2** The following table details the Companies expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Companies liquidity risk management as the liquidity is managed on a net asset and liability basis.

	<i>Less than 1 month</i>	<i>1 - 3 months</i>	<i>3 months - 1 year</i>	<i>1 - 5 years</i>	<i>Total</i>
----- Rupees -----					
<b>Financial Assets</b>					
<b>Non interest bearing</b>					
Long term deposits	-	-	-	8,181,889	8,181,889
Trade debts	-	599,099,932	-	-	599,099,932
Loans and advances	-	5,465,078	-	-	5,465,078
<b>June 30, 2020</b>	<b>-</b>	<b>604,565,010</b>	<b>-</b>	<b>8,181,889</b>	<b>612,746,899</b>
<b>Financial Assets</b>					
<b>Non interest bearing</b>					
Long term deposits	-	-	-	5,770,489	5,770,489
Trade debts	-	641,645,181	-	-	641,645,181
Loans and advances	-	4,938,234	-	-	4,938,234
<b>June 30, 2019</b>	<b>-</b>	<b>646,583,415</b>	<b>-</b>	<b>5,770,489</b>	<b>652,353,904</b>

**32.3.3 Financing facilities**

Secured bank loan facilities with various maturity dates through to 2020 and which may be extended by mutual agreement:

	<b>2020</b>	<b>2019</b>
Amount utilized	<b>2,387,269,254</b>	<b>1,764,808,318</b>
Amount un-utilized	<b>2,602,730,746</b>	<b>2,425,191,682</b>

### 32.4 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

#### 32.4.1 Interest rate risk management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company has significant amount of interest based financial assets and financial liabilities which are largely based on variable interest / mark-up rates, therefore the Company has to manage the related finance cost which exposes it to the risk of 1 month, 3 months and 6 months

32.4.2 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position date are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
Short term borrowings	2,025,910,229	1,491,226,230
Long term loans	346,676,370	269,038,185
	<b>2,372,586,599</b>	<b>1,760,264,415</b>

Borrowing that are not exposed to interest rate changes and contractual repricing amount to:

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term loans from related parties	55,083,139	64,092,383
	<b>55,083,139</b>	<b>64,092,383</b>

#### 32.4.3 Interest rate sensitivity

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's profit for the year would have been lower / higher by Rs. 23.74 million (2019: Rs. 16.96 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

### 32.5 Foreign exchange risk management

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. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and balances held in foreign currency. However currently, the Company's foreign exchange risk exposure is restricted to amounts receivable from foreign entities. As at June 30, 2020, the total foreign currency risk exposure was nil (2019: Rs. 301.49 million) in respect of trade debts only.

### 32.6 Foreign currency sensitivity analysis

At June 30, 2020, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by nil (2019: Rs. 30.15 million), mainly as a result of foreign exchange losses / gains on translation of foreign currency trade debts.

### 32.7 Determination of fair values

#### Fair value of financial instruments

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**Fair value estimation**

IFRS 13 requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measured fair value of financial instruments.

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

The Company has no financial assets measured at above mentioned levels.

**32.8 Financial instruments by category**

The accounting policies for financial instruments have been applied for line items below:

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Financial assets as per statement of financial position</b>		
Trade debts	599,099,932	641,645,181
Cash and bank balances	35,504,251	20,709,594
	<b>648,251,150</b>	<b>673,063,498</b>
<b>Financial liabilities as per statement of financial position</b>		
<i>Other financial liabilities</i>		
Long term financing	346,676,370	269,038,185
Long term loans from related parties	55,083,139	64,092,383
Short term borrowings	2,025,910,229	1,491,226,230
Accrued mark up	57,472,099	40,128,194
Trade and other payables	341,167,212	602,080,649
Unpaid dividend	9,851,010	3,218,372
Unclaimed dividend	3,052,032	3,052,032
	<b>2,839,212,091</b>	<b>2,472,836,045</b>

**33. CAPITAL RISK MANAGEMENT**

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

The Company's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

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

The debt-to-equity ratios as at 30 June were as follows:

	<b>2020</b>	<b>2019</b>
	<b>Rupees</b>	<b>Rupees</b>
Total debt	2,427,669,738	1,824,356,798
Less: cash and cash equivalents	(35,504,251)	(20,709,594)
Net debt	<b>2,392,165,487</b>	<b>1,803,647,204</b>
Total equity	1,894,821,521	1,893,893,564
Adjusted capital	<b>4,286,987,008</b>	<b>3,697,540,768</b>
Debt-to-adjusted capital ratio	56%	49%

The increase in the debt-to-equity ratio in 2020 resulted primarily due to increase in borrowings of the Company through commercial banks as in note 20.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.



**34. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTOR**

Particulars	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	June 30, 2020			June 30, 2019		
Managerial remuneration	4,200,000	2,760,000	7,920,000	4,200,000	2,760,000	7,015,000
Utilities	683,338	614,384	-	610,582	550,242	-
	<b>4,883,338</b>	<b>3,374,384</b>	<b>7,920,000</b>	<b>4,810,582</b>	<b>3,310,242</b>	<b>7,015,000</b>
Number of persons	1	1	4	1	1	4

**34.1** Chief Executive and executive Directors are provided with Company maintained cars and utilities at residence.

**34.2** Meeting fee amounting to Rs. 150,000 (2019: Rs.110,000) was paid to non-executive directors of the Company during the year.

**35. TRANSACTIONS WITH RELATED PARTIES**

**35.1** Related parties comprise of associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due to associated undertakings are shown under-long term loans from related parties, as disclosed in note 15. Remuneration of key management personnel is disclosed in note 34. There are no other transactions with related parties.

**36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Lease Liabilities	Long term finance	Short term borrowings	Long term loan from related parties	Total
At June 30,2019	4,543,903	269,038,185	1,491,226,230	64,092,383	1,828,900,701
Cash inflows	11,782,000	127,908,483	16,867,082,023	-	17,006,772,506
Cash outflows	(1,643,248)	(50,270,298)	(16,332,398,024)	-	(16,384,311,570)
Non cash adjustment	-	-	-	(9,009,244)	(9,009,244)
At June 30,2020	<b>14,682,655</b>	<b>346,676,370</b>	<b>2,025,910,229</b>	<b>55,083,139</b>	<b>2,442,352,393</b>

**37. PLANT CAPACITY AND ACTUAL PRODUCTION**

		2020	2019
<b>Spinning Unit-1</b>			
Spindles installed and worked	No.	27,696	24,672
Shift worked	No.	912	1,002
Standard production after conversion into 20's count	Kgs	10,370,373	7,945,152
Actual production of yarn after conversion into 20's count	Kgs	7,447,249	5,596,272
<b>Spinning Unit-II</b>			
Spindles installed and worked	No.	27,864	27,864
Shift worked	No.	917	1,007
Standard production after conversion into 40's PC count	Kgs	4,784,702	4,784,702
Actual production of yarn after conversion into 40's PC count	Kgs	3,459,402	3,925,366
<b>Spinning Unit-III</b>			
Spindles installed and worked	No.	26,664	25,632
Shift worked	No.	905	995
Standard production after conversion into 30's count	Kgs	7,669,765	7,526,120
Actual production of yarn after conversion into 30's count	Kgs	6,715,980	6,599,386

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

**38. NUMBER OF EMPLOYEES**

The number of employees for the year ended June 30 were as follows:

	2020	2019
	<b>Number</b>	
Total number of employees	<b>1,519</b>	<b>1,561</b>
Average number of employees during the year	<b>1,540</b>	<b>1,524</b>

**39. SEGMENT REPORTING**

The Company's core business is manufacturing and sale of yarn and it generates more than 95% of its revenue and profit from the production and sale of yarn. Decision making process is centralized at head office led by Chief Executive who is continuously involved in day to day operations and regularly reviews operating results and assesses its performance and makes necessary decisions about resources to be allocated to the segments. Currently it has three yarn manufacturing unit. Owing to the similarity in nature of the products and services, nature of the production processes, type or class of customers for the products and services, the methods used to distribute the products, the nature of the regulatory environment all the yarn producing units are aggregated into a single operating segment and the Company's performance is evaluated by the management on an overall basis, therefore these operational segments by location are not separately reportable segments.

**40. IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

The outbreak of Novel Coronavirus continues and the situation keeps evolving every day. Enactment of necessary precautionary measures during March 2020 including but not limited to lockdowns by Government of Punjab, severely impacted the economic activity and the consumer demand which had a ripple effect on the economy. The operations of the company were disrupted and were resumed after the management adopted all necessary precautionary measures and ensured the implementation of all necessary SOPs.

After the Lockdown restrictions were eased out in June, 2020 local customer demand elevated back to normal and accordingly the Company's operations. The international market has also started resuming business and an increase in the number of orders has been observed. As the extent and duration of the impact of COVID-19 can not be predicted at this time, a reliable estimate of the impact of the developments on the financial statements of the Company can not be made with reasonable certainty.

The management has assessed the accounting implications of these developments on these financial statements.

**41. RECLASSIFICATION**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of comparison and better presentation. However, no significant reclassification / arrangement has been made except as given below:

From	To	Reason	Rupees
Prepayments	Loans, advances and prepayments	For better presentation	221,803
Sales Tax Refundable	Due from Government	For better presentation	105,992,408
Advance Income tax	Due from Government	For better presentation	50,423,930
Export rebate refundable	Due from Government	For better presentation	46,755,973

**42. EVENTS AFTER THE STATEMENT OF FINANCIAL DATE**

In respect of current year, the directors have proposed to pay final cash dividend of Rs. NIL million (2019: Rs. 29.4 million) at Rs. NIL (2019: Rs. 1.75) per ordinary share of Rs. 10 each for approval of the shareholders at the forthcoming Annual General Meeting. Financial effect of the proposed dividend has not been taken in these financial statements and will be accounted for subsequently in the year when such dividend is approved.

**43. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issue on 07-10-2020 by the Board of Directors of the Company.

**44. GENERAL**

Figures have been rounded-off to the nearest rupee except stated otherwise.

Sd/-  
Mian Anis Ahmad Sheikh  
Chief Executive Officer

Sd/-  
Mian Atta Shafi Tanvir Sheikh  
Director

Sd/-  
M. Ehsanullah Khan  
Chief Financial Officer

THE COMPANIES ACT, 2017  
**PATTERN OF SHAREHOLDING**

1. Incorporation Number **0020652**
2. Name of the Company **Maqbool Textile Mills Limited**
3. Pattern of holding the share held by the shareholders as at 30.06.2020

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
71	1 -	100	3,119	0.02
293	101 -	500	135,845	0.81
103	501 -	1000	101,286	0.60
62	1001 -	5000	174,032	1.04
13	5001 -	10000	97,345	0.58
5	10001 -	15000	64,000	0.38
2	15001 -	20000	32,500	0.19
1	20001 -	25000	21,500	0.13
2	25001 -	30000	58,600	0.35
2	45001 -	50000	96,100	0.57
1	55001 -	60000	58,000	0.35
1	125001 -	130000	128,000	0.76
1	150001 -	155000	152,321	0.91
1	155001 -	160000	156,500	0.93
2	165001 -	170000	338,000	2.01
2	175001 -	180000	353,000	2.10
1	180001 -	185000	182,000	1.08
1	195001 -	200000	200,000	1.19
1	205001 -	210000	209,000	1.24
1	210001 -	215000	212,000	1.26
1	235001 -	240000	238,000	1.42
1	345001 -	350000	346,500	2.06
1	690001 -	695000	694,500	4.13
4	700001 -	705000	2,815,243	16.76
3	775001 -	780000	2,328,915	13.86
1	1465001 -	1470000	1,465,121	8.72
1	1475001 -	1480000	1,476,921	8.79
2	1495001 -	1500000	2,995,563	17.83
1	1665001 -	1670000	1,666,089	9.92
<b>581</b>			<b>16,800,000</b>	<b>100.00</b>

**Categories of Share Holders**

P Date:05-Oct-2020

As on: June 30, 2020

S Type:Complete

Ser #	Code	Category	No. of Shareholder	Shares Held	Percentage of Total Capital
1	1	Joint Stock Companies	5	903,501	5.3780
2	3	Investment Companies	1	1,500	0.0089
3	5	Individuals	566	13,335,308	79.3768
4	7	Financial Institutions	1	936	0.0056
5	9	Mutual Funds	1	1,666,089	9.9172
6	10	Funds	7	892,666	5.3135
<b>TOTAL:</b>			<b>581</b>	<b>16,800,000</b>	<b>100.0000</b>

**Categories Detail**

As on: June 30, 2020.

Sr. #	Folio Number	Name	Shares Held	Per % Total Capital
<b>Joint Stock Companies</b>				
1	CDC-234	TREET CORPORATION LIMITED	200,000	1.1905
2	CDC-262	FIKREES (PRIVATE) LIMITED	6,000	0.0357
3	CDC-138	TREET CORPORATION LIMITED.	694,500	4.1339
4	CDC-149	MAPLE LEAF CAPITAL LIMITED	1	0.0000
5	CDC-199	TIME SECURITIES (PVT.) LTD.	3,000	0.0179
<b>Running Total</b>			<b>903,501</b>	<b>5.3780</b>
<b>Investment Companies</b>				
1	7170	NATIONAL DEVELOPMENT FINANCE CORPORATION (INVESTER)	1,500	0.0089
<b>Running Total</b>			<b>1,500</b>	<b>0.0089</b>
<b>Individuals</b>				
<b>Running Total</b>			<b>13,335,308</b>	<b>79.3768</b>
<b>Financial Institutions</b>				
1	CDC-152	NATIONAL BANK OF PAKISTAN	936	0.0056
<b>Running Total</b>			<b>936</b>	<b>0.0056</b>
<b>Mutual Funds</b>				
1	CDC-265	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,666,089	9.9172
<b>Running Total</b>			<b>1,666,089</b>	<b>9.9172</b>
<b>Funds</b>				
1	CDC-202	TRUSTEE-TREET CORPORATION LTD.-GROUP EMP.SUPERANNUATION FUND	500	0.0030
2	CDC-8	TRUSTEE- TREET CORPORATION LTD.GROUP EMPLOYEES SERVICE FUND	212,000	1.2619
3	CDC-102	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	152,321	0.9067
4	CDC-106	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	5,345	0.0318
5	CDC-5	TRUSTEES-TREET CORP.LTD. E.SUPERANNVAT FUND	156,500	0.9315
6	CDC-6	TRUSTEE- TREET COR. LTD EMP. PROVIDENT FUND	238,000	1.4167
7	CDC-7	TRUSTEE- TREET CORPORATION LIMITED G.E. GRATUITY	128,000	0.7619

**Categories Detail**

As on: June 30, 2020.

Sr. #	Folio Number	Name	Shares Held	Per % Total Capital
<b>Running Total</b>			<b>892,666</b>	<b>5.3135</b>
<b>Grand Total:</b>			<b>16,800,000</b>	<b>100.0000</b>

## FORM OF PROXY

I, .....

of .....

being a member of *MAQBOOL TEXTILE MILLS LIMITED*, hereby appoint.

.....

of .....

as my proxy in my absence to attend and vote for me and on my behalf at the (Ordinary or / and Extraordinary as the case may be) General Meeting of the Company to be held on the ..... and at any adjournment thereof .....

As witness my hand this .....

day of ..... 2020

Signed by the said

**Five Rupees  
Revenue Stamp**

### IMPORTANT

This form of proxy, duly completed, must be deposited at the Company's Head Office 2-Industrial Estate, Multan not less than 48 hours before the time for holding the meeting (Article 76).

[www.maqboolgroup.com](http://www.maqboolgroup.com)

**MAQBOOL CENTRE**

2 Industrial Estate Multan - PAKISTAN

Tel : +92 61 653 9551-52 653 7155

Fax: +92 61 653 9042

E-mail: [marketing@maqboolgroup.com](mailto:marketing@maqboolgroup.com)

**MILLS UNIT I - II, & GINNING UNIT:**

MM Road Chowk Sarwar Shaheed

District Muzaffargarh - PAKISTAN

**MILLS UNIT III:**

Pir Mahal Rajana Raod, Tehsil Kamalia Distt. T.T. Singh.