# ANNUAL

REPORT

2021

# Contents

## Corporate



## Financial Statements of Fazal Cloth Mills Limited

## Company Profile

| | | |
|---|---|---|
| Board of Directors | Sh. Naseem Ahmad | Chairman / Non-Executive Director |
| | Mr. Rehman Naseem | Chief Executive Officer / Executive Director |
| | Mr. Amir Naseem Sheikh | Executive Director |
| | Mr. Muhammad Mukhtar Sheikh | Executive Director |
| | Mr. Faisal Ahmed | Non – Executive Director |
| | Mr. Fahd Mukhtar | Non – Executive Director |
| | Mr. Babar Ali | Independent Director |
| | Mr. Masood Karim Shaikh | Independent Director |
| | Ms. Parveen Akhter Malik | Independent Director |
| Audit Committee | | |
| | Ms. Parveen Akhter Malik | Independent Director/Chairman |
| | Mr. Sheikh Naseem Ahmad | Non – Executive Director |
| | Mr. Fahd Mukhtar | Non – Executive Director |
| | Mr. Babar Ali | Independent Director |
| Human Resource and Remuneration Committee | Mr. Babar Ali | Independent Director/Chairman |
| | Mr. Fahd Mukhtar | Non – Executive Director |
| | Mr.Faisal Ahmad | Non - Executive Director |
| Strategic Planning Commitee | Mr. Rahman Naseem | Chairman |
| | Mr. Masood Karim Shaikh | Member |
| | Ms. Parveen Akhter Malik | Member |
| Company Secretary | Mr. Asad Mustafa | |
| Chief Financial Officer | Mr. Muhammad Azam | |
| Auditors | KPMG Taseer Hadi & Co., Chartered Accountants | |

Bankers

| | |
|---|---|
| Allied Bank Limited | Faysal Bank Limited |
| National Bank of Pakistan | Askari Bank Limited |
| MCB Bank Limited | The Bank of Punjab |
| Meezan Bank Limited | The Bank of Khyber |
| United Bank Limited | Pak Brunei Investment Company Limited |
| Standard Chartered Bank Pakistan Limited | Pak Oman Investment Company Limited |
| | Summit Bank Limited |
| Habib Bank Limited | Dubai Islamic Bank (Pakistan) Limited |
| Soneri Bank Limited | |
| Bank Al-Falah Limited | |
| Bank Al-Habib Limited | JS Bank Limited |
| Saudi Pak Industrial & Agricultural Investment Company Ltd | Bank Islami Pakistan Ltd |
| Habib Metropolitan Bank Ltd | |

Head Office &
Shares Department:
59/3, Abdali Road, Multan.
Phone: (92),4781637 Fax: (92) 61-4541832
E-mail: corporate@fazalcloth.comShares@fazalcloth.com
Website: www.fazalcloth.com

Shares Registrar:
Vision Consulting Ltd.
3-C, LDA Flats, Lawrence Road, Lahore .shares@vcl.com.pk
Phone: (92) 42-36283096, 36283097 Fax: (92) 42-36374839

Registered Office:
69/7, Abid Majeed Road, Survey No. 248/7, Lahore Cantt, Lahore.
Phone: (92) 42-36684909

# Corporate Vision / Mission Statement

## Vision

*The Company aims to establish a vertically integrated textile business producing finished products, processed and gre ige fabrics and yarn. The Company aims to produce high quality diversified products at competitive price to be marketed globally.*

## Mission

*The Company should provide a secure and rewarding investment to its shareholders and investors, quality products to its customers, a secure place of work to its employees and be an ethical partner with its business associates.*

# NOTICE OF 56th ANNUAL GENERAL MEETING

Notice is hereby given that the **56th Annual General Meeting** of the Shareholders of the Company **M/S. FAZAL CLOTH MILLS LIMITED("the Company")** will be held on October 27, 2021at 11:00 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, LAHORE to transact the following business:

**A- ORDINARY BUSINESS**

1. To confirm the minutes of the Annual General Meeting of the Company held on November26, 2020.

2. To receive, consider and adopt the Financial Statements of the Company for the year ended June 30, 2021 together with the Auditors' and Director's Report thereon.

3. To consider and approve payment of final Cash Dividend for the year ended June 30, 2021 at the rate of Rs.10 (Rupees Ten Only) per Ordinary Share each (i-e 100%), (2020: Rs. NIL) as recommended by the Board of Directors. This final cash dividend will be in addition to interim cash dividend of Rs 20 per ordinary share (i-e 200%) already paid.

4. To appoint External Auditors of the Company for the year EndingJune 30, 2022 and fix their remuneration. M/s. KPMG TaseerHadi& CO., Chartered Accountants, Lahore, External Auditors of the Company retires and being eligible offers themselves for re-appointment.

5. To transact any other business with the permission of the Chairman.

**B- SPECIAL BUSINESS**

**1. To ratify and approve the transactions carried out by the Company with related parties as disclosed in Financial Statements for the year ended June 30, 2021 and to pass the following Resolution(s) with or without modification(s):**

"**Resolved that** the related party transactions carried out by the Company during the year as disclosed in Note 45 of the financial statement for the year ended June 30, 2021 be and are hereby ratified and approved and confirmed."

**2. To approve transactions with related parties and to authorize the Board of Directors of the Company to carry out such related party transactions from time to time, irrespective of the composition of the Board of Directors and to pass the following Resolution(s) with or without modification(s);**

"**RESOLVED THAT** the Board of Directors of the Company be and are hereby authorized to approve the transactions to be conducted with related parties on case to case basis for the financial year ending June 30, 2022.

"**RESOLVED FURTHER THAT** these transaction approved by the board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next annual general meeting for their formal ratification approval where required".

3. **To consider and if deemed fit, to pass the following resolution as special resolutions with or without modification(s) in terms of Section 199 of the Companies Act, 2017 to change the terms and conditions attached to the investment made / to be made by Fazal Cloth Mills Limited in the form of loans in Fatima Transmission Company Ltd, an associated company.**

"**RESOLVED THAT** approval of members of Fazal Cloth Mills Limited (the "Company") be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 to extend the validity of special resolutions dated October 26, 2019 for making investments to be made in the form of loan in Fatima Transmission Company Limited, an associated undertaking till October 15, 2024.

**RESOLVED FURTHER THAT** approval of members of Fazal Cloth Mills Limited (the "Company") be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 to revise the repayment schedule for investment in the form of loan made / to be made in Fatima Transmission Company Limited under the authority of special resolution passed by the shareholders on October 26, 2019 so that the loan is repaid in four (4) annual installments on $31^{st}$December, 2026, $31^{st}$ December, 2027, $31^{st}$December, 2028 and $31^{st}$December, 2029.

**RESOLVED FURTHER THAT** the markup on loans be paid in four (4) annual installments on $31^{st}$December, 2026, $31^{st}$ December, 2027, $31^{st}$December, 2028 and $31^{st}$December, 2029 along with principal repayment and the loan shall be secured against personal guarantees of directors of FTCL.

**RESOLVED FURTHER THAT**there shall be no change in the other terms and conditions of the above investment as approved by the special resolution dated October 26, 2019.

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

A statement under section 134(3) of the Companies Act, 2017 to the aforesaid Special Businesses to be transacted at the said Annual General Meeting is attached.

BY ORDER OF THE BOARD

MULTAN.
Dated: October 05, 2021

**Asad Mustafa**
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 21, 2021 to October 27, 2021 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 20, 2021 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.

2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport, Account & participant's ID number to prove identity. Proxies, in order to be effective, must reach at the Company's Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members must bring the BoD resolution and / or power of attorney and specimen signature of nominee.

3. **Dissemination of Annual Audited Accounts and Notice of Annual General Meeting** The Company shall place the financial statements and reports on the Company's website: www.fazalcloth.com at least twenty one (21) days prior to the date of the Annual General Meeting. Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31 May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/ DVD/USB instead of transmitting the hard copies at their registered addresses. Accordingly, Annual Report of the Company for the year ended June 30, 2021 is dispatched to the shareholders through CD. However, if a shareholder requests for a hard copy of Annual Accounts, the same shall be provided free of cost within seven days of receipt of such request. Further, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same at your valid email ID. For convenience of shareholders, a Standard Request Form for provision of Annual Accounts has also been made available on the Company's website www.fazalcloth.com.

4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-

   a. Change in their addresses;

   b. In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS) for future dividends, if any.

   c. The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar.

   d. Pursuant to requirement of Section 150 of the Income Tax Ordinance 2001, the 'Filer' & 'Non-Filer' shareholders will pay tax on dividend income @15% and 30% respectively. Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), before the date of book closure i.e. **October 20, 2021**.

e. In case of joint account, please intimate proportion of shareholding of each account holder along with their individual status on the ATL.

f. For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or our Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.

g. **Consent for Video Conference Facility** Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of videolink for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (07) days prior to the date of the meeting as per the following format.
I/We, _______________ of ________________ being a member of Fazal Cloth Mills Limited holder of _______________ Ordinary share(s) as per Registered Folio No. ____________ hereby opt for video conference facility at ________________.

h. **Zakat Declaration**
The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Usher Ordinance, 1980.

i. **E-Voting**
Shareholders can exercise their right to demand a poll subject meeting requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of companies (Postal Ballot) Regulations 2018

j. **Unclaimed Dividend & Bonus Shares**

Shareholders, who by any reasons, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our share registrar M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore,

I. Due to current COVID-19 situation, the Securities and Exchange Commission of Pakistan (SECP) in terms of its Circular No.5 of 2020 issued on March 17, 2020 and Pakistan Stock Exchange Limited (PSX) through its notice Ref: PSX/N- 372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large. Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies. The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell Number and Number of shares held in their name with subject "Registration for Fazal Cloth Mills Limited AGM-21" along with valid copy of both sides of Computerized National Identity Card (CNIC) at corporate@fazalcloth.comVideo link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM. Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address corporate@fazalcloth.com.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 27, 2021.

### Special Business No.1

The transactions carried out with associated companies/related parties have been approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to provisions of applicable laws. However, the majority of Directors of the Company were related due to their common directorship and holding of shares in the associated companies, the Board has recommended the same for placement before the shareholders of the Company in general meeting for ratification/approval.

All these related party transactions during the mentioned period were executed at Arm's Length Price in a fair and transparent manner and there was no departure from the guidelines mentioned in Code of Corporate Governance for such transactions and Companies Act, 2017. Pursuant to the above, these transactions have to be approved/ratified by the shareholders in the General Meeting. The directors and their relatives have no direct or indirect interest in the aforesaid business except to the extent of their shareholding/common directorship with the related parties.

### Special Business No.2

Due to composition of Board of Directors of the Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. Therefore, the shareholders are being approached to grant a broad and prior approval for such transactions to be entered into by the Company, from time to time, at the discretion of the Board and irrespective of its composition and interest of directors due to their common directorship and holding of shares in the associated companies/related parties, triggering approval of shareholders under section 207 and / or 208 of the Companies Act, 2017, for the year ending June 30, 2022, which transactions shall be deemed to be approved by the shareholders. The Company shall ensure that such transactions with related parties, if needed, continue to be carried out in a fair and transparent manner and at Arm's Length Basis. Transactions intended to be carried out by the Company include, but are not limited to, sale and purchase of stores and spares, shared expenses, toll manufacturing, sale and purchase of products/raw material and purchase of packaging material with the related parties. The shareholders would appreciate that it is not possible for the Company or the directors to accurately predict the nature of related party transaction or the specific related party(ies) with which the transaction(s) shall be carried out. In view of the same, the Company seeks the broad/ prior approval of the shareholders that the Board may cause the Company to enter into related party transactions in its discretion and in accordance with policy of the Company. Such transactions shall be presented in the next annual general meeting of shareholders for their formal approval/ratification.

### Special Business No.3

Fatima Transmission Company Limited ('FTCL'), an associated company, was incorporated in Pakistan on December 26, 2014 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power..

The members of the Company passed a special resolutionin the annual general meeting held on October 31, 2015 for investment in the form of loans in FTCL uptoRs 300 million to be repaid within one year of disbursement.

Subsequently, the members of the Company passed another special resolution in the annual general meeting held on October 26, 2019 and extended the tenure from one year to ten years and approved the repayment schedule whereby the repayment was allowed in 20 semiannual installments with first installment due on 30 June or 31 December next falling after Commercial Operation Date. The investment was to be made till October 15, 2021. As of June 30, 2021 an amount of PKR 112,019,033has been disbursed to associated company and markup of Rs 28,308,810 has been charged thereon.

There has been delay in start of commercial operations of FTCL which are now expected to commence on December 31, 2021. Approval from the members is being sought by passing special resolution for extension in period for making investment till October 15, 2024 and repayment through annual instalments starting from December 31, 2026 ensuring repayment with in ten years of disbursal as detailed hereinabove.

The directors of the Company have no shareholding in FTCL except one common director Mr. Rehman Naseem who hold one share. There is no other interest directly or indirectly of the directors in FTCL and the above special resolution.

**Statement Under Regulation 4 (2) of the Investment in Associated Companies' Regulations,2017**

| Name of Investee company | Fatima Transmission Company Limited (FTCL) | | Fatima Energy Limited (FEL) | |
|---|---|---|---|---|
| **Total investment approved** | Rs. 300,000,000 loan was approved in AGM on October 31, 2015 and will be repayable within ten year from date of disbursal. Period of Investment till Oct 15.2021. | The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017. | The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to Rs 9028 million. In AGM dated November 26, 2020 shareholders approved reduction in investment from Rs 9028 million to Rs 6000 million. | Rs. 500,000,000 loan investment was approved in AGM on Nov 26, 2020 with period of investment till Oct 15, 2023. |
| **Amount of investment made to date** | Rs112,019,033 | NIL | 400 million | Rs238,740,522 |

**Statement Under Regulation 4 (2) of the Investment in Associated Companies' Regulations,2017**

| Name of Investee company | Fatima Transmission Company Limited (FTCL) | | Fatima Energy Limited (FEL) | |
|---|---|---|---|---|
| **Reasons for not having made complete investment so far where resolution required it to be implemented in specific time** | Further funds request has not yet been made by the investee company. | Outstanding amount to NIB on behalf of FTCL will be paid in case of default by FTCL or in case any demand by lender of FTCL under SSA . | Outstanding amount to Lenders on behalf of FEL will be paid in case of default by FEL or in case any demand by lender of FEL under SSA . | Further investment will be made depending on demand received from investee company |
| **Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.** | **As at June 30, 2015**<br><br>Earning per share (EPS) was Rs(8.78) / share<br><br>Breakup value per share (B/E) was Rs 1.22 /share<br><br>**As at June 30, 2020**<br><br>EPS: Rs (4.06)/share<br><br>B/E: Rs 0.65 /share | **As at June 30, 2016**<br><br>Earning per share (EPS) was Rs(0.22) / share<br><br>Breakup value per share (B/E) was Rs 5.38 /share<br><br>**As at June 30, 2020**<br><br>EPS: Rs (4.06)/share<br><br>B/E: Rs 0.65 /share | **As at June 30, 2016**<br><br>Earning per share (EPS) was Rs(0.082) / share<br><br>Breakup value per share (B/E) was Rs 9.8 /share<br><br>**As at June 30, 2020**<br><br>EPS: Rs(1.19)/share<br><br>B/E: Rs 7.72 /share | |

# CHAIRMAN'S REVIEW

I am pleased to present the review on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

The Company follows the best practices relating to corporate governance and complies with the relevant requirements of Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to composition, meetings and procedures of the Board of Directors (the "Board") and its Committees. The Board has nine members with diverse background having core competencies, knowledge, skills and experience relevant to the business of the Company.

The Directors of your company are well aware with their responsibilities, under the applicable regulations, for governance of the company in an effective and efficient manner. Evaluation of the board of Directors is aimed to measure the Board overall performance and conduct of the company's affairs in accordance with the best practices of corporate governance. For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as satisfactory. During the financial year 2020-21four Board meetings were convened. The Board has duly formulated a vision and mission statement, is actively involved in formulation of appropriate policies and procedures and ensures due compliance with all the regulatory requirements. It closely monitors the performance of its committees and is committed to uphold and stable operation.

During the year, the board considered and approved, among other things, quarterly and annual financial statements, appointments of external auditors, distribution of dividend and financial matters.

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

**(Sh. Naseem Ahmed)**
**Chairman**

**Multan**
**Date: September 30, 2021**

# چیئر مین کا جائزہ

میں بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے کردار کی تاثیر پر جائزہ پیش کرنے پر خوشی محسوس کرتا ہوں۔

کمپنی کارپوریٹ گورننس کے بہترین طریقہ کار کی تقلید کرتی ہے۔کمپنی کمپنیز ایکٹ 2017 اور کوڈ آف کارپوریٹ گورننس کے قوانین 2019 کو بورڈ اور اسکی کمیٹی کے حوالے سے مکمل طور پر لاگو کرتی ہے۔بورڈ کے نو اراکین ہیں جو متنوع پس منظر کے حامل ہیں جن میں بنیادی قابلیت،علم،مہارت اور تجربہ ہے جو کمپنی کے کاروبار سے متعلق ہے۔

قابل اطلاق قواعد وضوابط کے تحت،کمپنی کو موثر انداز میں چلانے کے لیے آپ کی کمپنی کے ڈائریکٹر اپنی ذمہ داریوں سے اچھی طرح واقف ہیں۔بورڈ آف ڈائریکٹرز کی کارکردگی کے جائزہ کا مقصد بورڈ کی مجموعی کارکردگی اور کارپوریٹ گورننس کے بہترین طریقوں کے مطابق کمپنی کے معاملات کی کارکردگی کو جانچنا ہے۔زیر جائزہ سال کے لیے،کارکردگی کے جائزہ کی بنیاد پر،بورڈ کی مجموعی کارکردگی اور تاثیر کو تسلی بخش قرار دیا گیا ہے۔مالی سال 2020-21 کے دوران بورڈ کے چار اجلاس بلائے گئے۔بورڈ نے مناسب طریقے سے ایک ویژن تیار کیا ہے اور مشن کا بیان۔بورڈ مناسب پالیسیوں اور طریقہ کار کی تشکیل میں فعال طور پر شامل ہے اور تمام ریگولیٹری ضروریات کی مناسب تعمیل کو یقینی بناتا ہے۔یہ اپنی کمیٹیوں کی کارکردگی پر کڑی نظر رکھتا ہے اور اسے برقرار رکھنے اور مستحکم آپریشن کے لیے پرعزم ہے۔

سال کے دوران،بورڈ نے دوسری چیزوں کے علاوہ سہ ماہی اور سالانہ مالیاتی بیانات،بیرونی آڈیٹرز کی تقرریوں،منافع کی تقسیم اور مالی معاملات پر غور اور منظوری دی۔

میں کمپنی کے بورڈ آف ڈائریکٹرز،شیئر ہولڈرز،بینکرز،مالیاتی اداروں،ہمارے قابل قدر گاہکوں اور سپلائرز کے تعاون اور مدد کے لیے شکر گزار ہوں۔میں کمپنی کے ایگزیکٹوز اور دیگر ملازمین کا ان کی لگن اور محنت کے لیے بھی شکریہ ادا کرتا ہوں اور مستقبل میں بھی اسی طرح کے تعاون کے منتظر ہوں۔

شیخ نسیم احمد
چیئر مین

تاریخ: 30 ستمبر 2021
ملتان

# Directors' Report
## To the shareholders

**The directors of the Company are pleased to present the Annual Report along with the audited financial statements for the year ended 30th June, 2021**

## COMPANY'S AFFAIRS

Fazal Cloth Mills Limited (The Company) was incorporated in Pakistan in 1966 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the company are quoted on Pakistan Stock Exchange. The registered office of the company is situated at 69/7, Abid Majeed Road, Survey No 248/7, Lahore Cantt, Lahore. The Company is principally engaged in manufacture and sale of textile goods.

## Review of Financial Performance

Textile industry in Pakistan witnessed stunning growth and high profitability during the financial year 2021. High international demand of textile products post COVID 19 period coupled with hike in international and local prices contributed toward profitability. Further, the provision of energy at regionally competitive tariff by the GoP also played vital role. Although, hike in raw material prices posed business challenges to the Company, however, your directors and executive management effectively managed to purchase the raw material inventory at low prices, which led to success for the Company during the year.

Profit after tax of the Company increased to Rs. 5,431.76 million during the year ended 30th June, 2021 as compared to loss of Rs.569.50 million during the last year.
Following is a summary of the key financial numbers:

| Financial Highlights | 2021 | 2020 | Increase / (decrease) |
|---|---|---|---|
| | Rupees in ('000') | Rupees in ('000') | % Age |
| Sales – net | 52,132,243 | 39,713,735 | 31.27% |
| Cost of sales | 44,127,253 | 35,152,501 | 25.53% |
| Gross profit | 8,004,990 | 4,561,234 | 75.50% |
| EBITDA | 8,793,472 | 4,242,002 | 107.30% |
| Depreciation | 1,436,003 | 1,239,352 | 15.87% |
| Finance cost | 1,794,692 | 2,944,788 | -39.06% |
| Other income | 644,455 | 684,926 | -5.91% |
| Profit before tax | 5,562,778 | 57,862 | 9513.87% |
| Profit after tax | 5,431,757 | (569,496) | 1053.95% |
| Earnings per share – Rupees | 181.06 | (18.98) | 1053.95% |

Sales of the Company increased by Rupees 12,418.51 million (31.27% increase) in the current year as compared to the last year. Cost of Sales increased by Rupees 8,974.75 million (25.53% increase) in the current year as compared to the last year; mainly due to increase in raw material prices.

Gross profit ratio of the Company was 15.36% in the current year as compared to 11.49% in the last year.
The Company received dividend income of Rs.172.78 million during the year as compared Rs.138.23 million during the last year. This year, EBITDA of Rs.8,793.47 million was generated as compared to Rs.4,242.00 million in last year. EBITDA per share was Rs.293.12 (2020: Rs.141.40).

Finance cost of the Company came down from Rs.2944.79 million to Rs.1794.69 million, recording a decrease of 39.06% in the current year as compared to the last year. The main reasons were decrease in KIBOR rate and in borrowings.

**Merger of Subsidiary Company**

Fazal Weaving Mills Limited, a wholly owned subsidiary of the Company, has been merged with the Company during the year. Accordingly, consolidated financial statements are no longer required.

**Capital Expenditu**re

The Company incurred Capital Expenditure of Rs.1,121.97 million during the year for modernization and expansion of its plant.

**Earnings per Share (EPS)**

Earnings per share (EPS) were reported at Rs.181.06 as compared to Rs.(18.98) per share in the previous year.

**FUTURE OUTLOOK**

Demand for yarn and fabric remains strong and margins are reasonable albeit lower than last year due to absence of inventory gains. Historically high prices of raw materials this year pose increased risk of loss in case of any downward movement in prices. Your management is trying to reduce this risk by carrying less inventory and selling as much yarn/fabric as possible.
GOP continues to provide energy at regionally competitive tariffs to the textile industry. Inshallah, if this sensible policy continues, textile business in Pakistan will continue to thrive and exports will increase. Due to shift of demand from China to other countries, ample opportunity exists for Pakistan to increase its market share.
BMR and expansion of the Company's different units continues to benefit from increased demand. During the current year, your company expects to invest approximately Rs.5 billion for BMR and expansion.

**TRANSACTIONS IN THE COMPANY'S SHARES**

Your Directors and Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have made following transactions in the Company's shares during the year:

| Description | Sh. Naseem Ahmad & Mst. Nighat Naseem | Amir Naseem Sh,Mrs. Mahnaz Amir Sh. & Minor Children | Rehman Naseem & Minor Children | Muhammad Mukhtar Sheikh | Fahd Mukhtar | Faisal Ahmed & Minor Children | Mr. Masood Karim Sheikh | Ms. Praveen Akhtar Malik | Mr. Babar Ali | Company Secretary | CFO |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as on 01-07-2020** | 8,820 | 2,923,057 | 3,101,320 | 1,012,969 | 579,715 | 4,067,550 | 1 | 1 | 1 | 1 | 1 |
| **Purchase** | - | - | - | - | - | - | 2,500 | 2,500 | 2,500 | - | - |
| **Bonus** | - | - | - | - | - | - | - | - | - | - | - |
| **Inherited** | - | - | - | - | - | - | - | - | - | - | - |
| **Received as Gift** | - | - | - | - | - | - | - | - | - | - | - |
| **Transferred as gift** | - | - | - | - | - | - | - | - | - | - | - |
| **Sold** | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | |
| **Closing Balance as on 30-06-2021** | **8,820** | **2,923,057** | **3,101,320** | **1,012,969** | **579,715** | **4,067,550** | **2,501** | **2,501** | **2,501** | **1** | **1** |

## MEETINGS OF THE BOARD OF DIRECTORS &COMMITTEE'S

During the year 2020-2021, four board meetings were held which were attended as follows:

| Names of Directors | Designation | BOD Meeting |
|---|---|---|
| | | |
| **Mr. Sheikh Naseem Ahmad** | Chairman/Non - Executive Director | 4 |
| **Mr. Rehman Naseem** | Chief Executive Officer- Executive Director | 4 |
| **Mr. Muhammad Mukhtar** | Executive Director | 2 |
| **Mr. Faisal Ahmed** | Non – Executive Director | 4 |
| **Mr. Fahd Mukhtar** | Non – Executive Director | 2 |
| **Mr. Amir Naseem Sheikh** | Executive Director | 4 |
| **Mr. Babar Ali** | Independent Director | 4 |
| **Mr. Masood Karim Shaikh** | Independent Director | 4 |
| **Ms. Parveen Akhter Malik** | Independent Director | 4 |

## MEETINGS OF THE AUDIT COMMITTEE

During the year 2020-2021, four audit committee meetings were held which were attended as follows

| Names of Members | Designation | Audit Committee Meeting |
|---|---|---|
| | | |
| **Ms. Parveen Akhter Malik** | Independent Director/ Chairman | 2 |
| **Mr. Sheikh Naseem Ahmad** | Non – Executive Director | 4 |
| **Mr. Fahd Mukhtar** | Non – Executive Director | 4 |
| **Mr. Babar Ali** | Independent Director | 4 |

## MEETINGS OF THE HR & REMUNERATION COMMITTEE

During the year 2020-2021, two HR and remuneration committee meetings were held which were attended as follows:

| Names of Members | Designation | HR & Remuneration committee |
|---|---|---|
| | | |
| **Mr. Babar Ali** | Independent Director/ Chairman | 2 |
| **Mr. Faisal Ahmed** | Non – Executive Director | 2 |
| **Mr. Fahd Mukhtar** | Non – Executive | 1 |

## SAFETY, HEALTH & ENVIORNMENT (SHE)

The Company is committed to provide a safe, injury-free workplace where everyone is healthy, energized and protects the society. SHE remains a priority for the Company at all levels and this year we focused on bringing an attitudinal change in the SHE culture by creating awareness and providing strong feedback on safety performance.The Company conducts regular testing of waste water, stack emission and machinery noise. The Company also regularly carries out tree plantation drive at its offices and factories.

## RISK MANAGEMENT

The Company is exposed to operational, financial and compliance risk which are mitigated through effective risk management framework, coupled with our internal controls, helps us maintain our focus on managing the potential risks affecting our business. Internal Audit department provides independent report to the board of directors on effectiveness of risk management and control processes.

### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company developed standards for the management of operational risk in various areas, such as requirements for the reconciliation and monitoring of transactions, compliance with regulatory and other legal requirements, documentation of controls and procedures etc.

**Credit Risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due.

**ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

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

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Company considers CSR as a fundamental responsibility and strives to be a good corporate citizen. The Company contributes to society by supporting public health and education facilities.

Further as CSR measures, during the year, the Company emphasized more on Occupational Safety and Health of the workers and staff as the most important thing for the Company. After the outbreak of corona virus pandemic in the third quarter of the year, the Company immediately formulated a crisis management team which implemented the directives issued by Punjab Government regarding preventing the spread of the disease. The team launched a campaign at all locations of the Company and its surrounding for the awareness of appropriate precautions which an individual should take to save himself / herself and colleagues. The Company also regularly organizes medical camps and regular fumigation is carried out at the premises of all manufacturing facilities by using fogging machines to prevent viral diseases.

**SUBSEQUENT EVENTS**

The Board of Directors in its meeting held on September 30, 2021 approved the acquisition of M/S Imperial Textile Mills Limited by way of purchase of 100% ordinary shares where total purchase value including outstanding liabilities of the company is Rs. 375,000,000.

**CORPORATE GOVERNANCE**

**Best Corporate Practices**

Directors are committed to good corporate governance and comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Code) and the Rule Book of Pakistan Stock Exchange. The statement of compliance with the CCG is enclosed.

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

   - Male 8
   - Female 1

2. The composition of Board is as follows:

<u>Independent Director</u>

1- Mr. Babar Ali

2- Mr. Masood Karim Sheikh

3- Mrs. Parveen Akhter Malik

<u>Non- Executive Director</u>

4- Mr. Sheikh Naseem Ahmed

5- Mr. Faisal Ahmed

6- Mr. Fahad Mukhtar

<u>Executive Directors</u>

7- Mr. Rehman Naseem

8- Mr. Amir Naseem

9- Mr. Muhammad Mukhtar Sheikh

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

<u>Audit Committee</u>

1- Ms. Parveen Akhter Malik (Independent Direct) - Chairman

2- Mr. Babar Ali – Member

3- Mr. Sheikh Naseem Ahmed – Member

4- Mr. Fahad Mukhtar – Member

Human Resource Committee

1- Mr. Babar Ali (Independent Direct) – Chairman

2- Mr. Faisal Ahmed – Member

3- Mr. Fahd Mukhtar – Member

Strategic Planning Committee

1- Mr. Rehman Naseem – Chairman

2- Mr. Masood Karim Sheikh – Member

3- Ms. Parveen Akhtar - Member

4. Non-executive and Independent directors are entitled only to a fee for attending company's meeting. The company will reimburse or incur expenses of travelling and accommodation of directors in relation to attending the meeting of the board and its committees. Remuneration of executive directors shall be approved by the board. For information on remuneration of directors and Chief Executive Officer in year 2020-21 please refer note 43 to the financial statements.

**Directors' Statement**

Following is the Directors' statement on Corporate and Financial Reporting framework:

- The financial statements for the year ended June 30, 2021, present fairly the state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2021 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the Company to continue as going concern;
- There has been no material departure from best practices of corporate governance as detailed in listing regulations;

**PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2021 is annexed.

**DIVIDEND ANNOUNCEMENT**

Your directors have recommended to pay final cash dividend of Rs.10 per ordinary share (i.e. 100%). An interim cash dividend @ Rs.20 per ordinary share (i.e. 200%) has already been paid. Therefore, total cash dividend for year ended 30$^{th}$ June, 2021 is Rs.30 per ordinary share (i.e. 300%).

**AUDITORS**

M/s. KPMG Taseer Hadi & Co., Chartered Accountants, auditors of the Company retire and being eligible, offers themselves for reappointment for the year 2021-2022.

**RELATED PARTY TRANSACTIONS**

During the year, all transactions with related parties have been executed at arm's length, and detail of these transactions are disclosed in note 45 to the financial statements of the Company.

**MANAGEMENT/LABOUR RELATIONS**

The management/labour relations remained warm and cordial throughout the year under review. We place great importance on our employees. We continue to invest in the professional development and improvement of skills of our human resources, since we believe that, by investing in our people, we invest in our future. The Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility. Complying with our human resource policies we do not hire any child labour. The employees and management of the Company continued to make joint efforts to keep up high standards of productivity. Relationship of management and employees continued to remain in total harmony. The board wishes to place on record, its deep appreciation to all of them for their hard work and dedication to achieve these results.

**For and on behalf of the Board**

**Dated: September 30, 2021**

**(Rahman Naseem)**
**Chief Executive Officer**

**(Sheikh Naseem Ahmad)**
**Chairman**

# ڈائریکٹرز رپورٹ

ڈائریکٹران فضل کلاتھ ملز لمیٹڈ (کمپنی) بخوشی کمپنی کی سالانہ رپورٹ پیش کرتے ہیں جو کہ برائے سال اختتام پذیر 30 جون 2021 ہے اور اس کے ہمراہ مالیاتی گوشوارہ اور پڑتال کنندگان کی رپورٹ بھی شامل ہے۔

## کمپنی کا تعارف

کمپنی سال 1966 میں معرض وجود میں آئی اور پاکستان سٹاک ایکسچینج میں لسٹڈ ہے۔ کمپنی کا بنیادی کاروبار ٹیکسٹائل مصنوعات کی تیاری اور خرید و فروخت ہے۔

## مالیاتی کارکردگی کا جائزہ

پاکستان میں ٹیکسٹائل کی صنعت نے مالی سال 2021 میں زیادہ منافع کمانے کے ساتھ شاندار ترقی کی۔ ٹیکسٹائل مصنوعات کی بین الاقوامی مارکیٹ میں کوِیڈ۔۱۹ کے بعد مانگ اضافہ ہوا اور اس ساتھ قیمت بھی بڑھیں جسکی وجہ سے منافع میں اضافہ ممکن ہوا۔ اس کے علاوہ حکومت پاکستان کی طرف سے بجلی کی مناسب نرخوں پر فراہمی نے بھی زیادہ منافع کمانے میں اہم کردار ادا کیا۔ خام مال کی قیمت میں اضافہ نے مشکلات پیدا کی تاہم ڈائریکٹرز اور مینجمنٹ کے خام مال کا مناسب قیمت میں بروقت خریداری کے فیصلے نے کمپنی کی کامیابی میں اہم کردار ادا کیا۔

مالی سال برائے اختتام 30 جون 2021 میں کمپنی نے منافع بعد از ٹیکس 5,431.76 ملین کمایا جو کہ پچھلے سال اختتام برائے 30 جون 2020 میں نقصان 569.5 ملین روپے تھا۔

ذیل میں مالیتی احوالک سے متعلق اعداد و شمار دکھائے گئے ہیں۔

| مالیاتی سرخیاں<br>مستحکم مالیاتی اعداد و شمار | 2021<br>روپیہ بطور (000) | 2020<br>روپیہ بطور (000) | اضافہ/کمی<br>فیصد |
|---|---|---|---|
| فروختگی | 52,132,243 | 39,713,735 | 31.27% |
| فروخت پر لاگت | 44,127,253 | 35,152,501 | 25.53% |
| گراس منافع | 8,004,990 | 4,561,234 | 75.50% |
| منافع قبل از ٹیکس و فرسودگی | 8,793,472 | 4,242,002 | 107.30% |
| فرسودگی | 1,436,003 | 1,239,352 | 15.87% |
| مالیاتی خرچہ | 1,794,692 | 2,944,788 | -39.06% |
| دیگر آمدن | 644,455 | 684,926 | -5.91% |
| منافع قبل از ٹیکس | 5,562,778 | 57,862 | 9513.87% |
| منافع بعد از ٹیکس | 5,431,757 | (569,496) | 1053.95% |
| آمدن فی حصص | 181.50 | (18.98) | 1053.95% |

پچھلے سال کے مقابلے میں رواں سال کمپنی کی فروختگی میں 1,241.86 ملین 31.27% اضافہ دیکھا گیا ہے۔ پچھلے سال کے مقابلے میں رواں سال فروخت پر لاگت 8,974.75 ملین 25.53% اضافہ ہوا جسکی بنیادی وجہ خام مال کی قیمت میں اضافہ تھا۔

کمپنی کا گراس منافع کا تناسب 15.36% رہا جو کہ پچھلے سال 11.49% تھا۔

کمپنی نے مبلغ 172.78 ملین روپے (حصص کے) منافع کی مد میں وصول کیے جو کہ پچھلے سال 138.23 ملین تھے۔

آمدنی قبل از ٹیکس، مارک اپ، شکستگی 8,793.47 ملین وصول ہوئی جو کہ پچھلے سال 4,242.00 ملین تھی۔

آمدنی قبل از ٹیکس، مارک اپ، شکستگی فی حصص مبلغ 293.12 رہی (2020 میں مبلغ Rs.141.40 تھی)

کمپنی کی قرضوں پر مالیاتی لاگت 2,944.79 ملین روپے سے کم ہو کر 1,794.69 ملین روپے ہوگئی۔ جسکی وجہ سود کے ریٹ کی کمی ہے۔

## ذیلی کمپنی کا انضمام

رواں سال ذیلی کمپنی فضل ویونگ ملز لمیٹیڈ کا کمپنی میں انضمام ہوگیا ہے۔ اس لیئے اس سال مشترکہ گوشوارے بنانے اور شائع کرنا ضروری نہیں۔

## اخراجات بشکل سرمایہ

کمپنی نے سرمایہ کی حیثیت میں مبلغ 1,121.97 ملین خرچ کیے، جو کہ کمپنی کے پلانٹس میں جدت اور بڑھوتری لانے کے لیے تھے۔

## آمدنی فی حصص

کمپنی کی آمدنی فی حصص 181.06 روپے رہی۔

## مستقبل پر نظر

دھاگہ اور کپڑے کی مانگ مستحکم رہی البتہ پچھلے سال کی نسبت منافع کم رہا۔ خام مال کی قیمت تاریخی طور پر زیادہ ہے اور یہ تیار مال کی قیمتوں میں کمی کے باعث نقصان کا سبب بن سکتی ہے۔ کمپنی اس خطرے کو تیار مال کی زیادہ سے زیادہ فروختگی کر کے کم کرنے کی کوشش کر رہی ہے۔

حکومت پاکستان نے ٹیکسٹائل کی صنعت کو ارزاں نرخوں پر بجلی کی فراہمی یقینی بنائی ہے۔ جو کہ برآمدات میں اضافہ کا سبب بن رہی ہے چین اور دوسرے ممالک سے طلب میں تبدیلی پاکستان کے لیے مارکیٹ میں حصہ بڑھانے کا موقع پیدا کر رہی ہے۔

تیار مال کی طلب میں اضافہ کمپنی کی پیداواری صلاحیت میں اضافہ کا سبب بن رہا ہے۔ رواں سال کمپنی پیداواری صلاحیت میں اضافہ کے لیے پانچ ارب روپے کی سرمایہ کاری کا پلان کر رہی ہے۔

## کمپنی کے حصص کی منتقلی

آپ کے ڈائریکٹران و چیف ایگزیکٹو آفیسران و چیف فنانس افسران، کمپنی سیکرٹری وان کے شریک حیات و نابالغ بچگان کی جانب سے کمپنی کے حصص کی میں مندرجہ ذیل منتقلیاں کی گئیں۔

| تفصیل | شیخ نسیم احمد و مسماۃ نگہت نسیم | عامر نسیم شیخ، مسز مہناز عامر شیخ و نابالغ بچگان | رحمٰن نسیم و نابالغ بچگان | محمد مختار شیخ | فہد مختار | فیصل احمد و نابالغ بچگان | مسعود کریم شیخ | بابر علی | پروین اختر ملک | کمپنی سیکرٹری | چیف فنانشل آفیسر |
|---|---|---|---|---|---|---|---|---|---|---|---|
| کیفیت بتاریخ 01-07-2020 | 8,820 | 2,923,057 | 3,101,320 | 1,012,969 | 579,715 | 4,067,550 | 1 | 1 | 1 | 1 | 1 |
| خریداری | - | - | - | - | - | | 2,500 | 2,500 | 2,500 | - | - |
| بونس | - | - | - | - | - | - | - | - | - | - | - |
| وراثت | - | - | - | - | - | - | - | - | - | - | - |
| بطور تحفہ وصولی | - | - | - | - | - | - | - | - | - | - | - |
| بطور تحفہ منتقلی | - | - | - | - | - | - | - | - | - | - | - |
| فروخت | - | - | - | - | - | - | - | - | - | - | - |
| کیفیت بتاریخ 30-06-2021 | 8,820 | 2,923,057 | 3,101,320 | 1,012,969 | 579,715 | 4,067,550 | 2,501 | 2,501 | 2,501 | 1 | 1 |

### بورڈ آف ڈائریکٹرز اور کمیٹیز کے اجلاس

دوران سال 2021-2020 بورڈ کے چار اجلاس منعقد ہوئے جس میں حاضری درج ذیل رہی

| نام ڈائریکٹران | عہدے | اجلاس بورڈ آف ڈائریکٹرز / حاضری |
|---|---|---|
| شیخ نسیم احمد | چیئرمین | 4/4 |
| رحمٰن نسیم | چیف ایگزیکٹو آفیسر | 4/4 |
| محمد مختار | ڈائریکٹر | 2/4 |
| فیصل احمد | ڈائریکٹر | 4/4 |
| فہد مختار | ڈائریکٹر | 2/4 |
| عامر نسیم شیخ | ڈائریکٹر | 4/4 |
| بابر علی | آزاد ڈائریکٹر | 4/4 |
| مسعود کریم شیخ | آزاد ڈائریکٹر | 4/4 |
| پروین اختر ملک | آزاد ڈائریکٹر | 4/4 |

## آڈٹ کمیٹی کے اجلاس

رواں سال 2021-2020 میں آڈٹ کمیٹی کے چار اجلاس ہوئے ہیں۔

| نام ڈائریکٹران | عہدے | آڈٹ کمیٹی کے اجلاس / حاضری |
|---|---|---|
| محترمہ پروین اختر ملک | آزاد ڈائریکٹر - چیئرمین | 2 |
| محترم شیخ نسیم احمد | نان ایگزیکٹو ڈائریکٹر | 4 |
| محترم فہد مختار | نان ایگزیکٹو ڈائریکٹر | 4 |
| محترم بابر علی | آزاد ڈائریکٹر | 4 |

## ہیومن ریسورس و معاوضہ کمیٹی کے اجلاس

رواں سال 2021-2020 میں کمیٹی کے دو اجلاس ہوئے ہیں۔

| نام ڈائریکٹران | عہدے | ہیومن ریسورس و معاوضہ کمیٹی کے اجلاس / حاضری |
|---|---|---|
| محترم بابر علی | آزاد ڈائریکٹر - چیئرمین | 2 |
| محترم فہد مختار | نان ایگزیکٹو ڈائریکٹر | 2 |
| محترم فیصل احمد | نان ایگزیکٹو ڈائریکٹر | 1 |

## حفاظت، صحت اور ماحول

کمپنی محفوظ اور چوٹ وغیرہ کے خطرات سے پاک ماحول مہیا کرنے کے لیے پر عزم ہے جہاں ہر ایک صحت مند اور چاک و چوبند ہو اور معاشرے کی حفاظت کرے۔ ہر درجے پر حفاظت، صحت اور ماحول کمپنی کی ترجیحات میں سے ہے اور اس سال ہم نے اس پر خاص توجہ دی تاکہ حفاظت صحت اور ماحول سے متعلق ایک رویہ اپنایا جاسکے اور اس بارے آگہی فراہم کی گئی نیز حفاظت تدابیر سے متعلق آراء لی گئیں۔ کمپنی فضلہ سے پاک پانی کی ٹیسٹنگ کرتی ہے اور شور کی آلودگی سے ماحول کو پاک رکھنے کے لئے کوشاں ہے۔ کمپنی اپنے ہیڈ آفس اور فیکٹری پر شجر کاری کرتی ہے۔

## خطرات پر نظر

کمپنی کو چلانے، امور کی تکمیل و مالیات سے متعلق خطرات کا سامنا رہتا ہے ان خطرات کو انتظامات و قواعد و ضوابط طے کر کے اور اندرونی اختیارات کے ذریعے کم کیا جاتا ہے۔ اس طرح ان خطرات سے نبرد آزما ہوا جا سکتا ہے جس سے کمپنی کے کاروبار کو متاثر ہونے کا خطرہ لاحق ہو۔ کمپنی کا انٹرنل آڈٹ کا محکمہ ڈائریکٹرز کو خطرات سے نبرد آزما ہونے کے ضوابط کے موئثر ہونے پہ اپنی رپورٹ پیش کرتا رہتا ہے۔

## آپریشنل خطرات

آپریشنل خطرات کمپنی کے معاملات، سٹاف، ٹیکنالوجی، انفراسٹرکچر، اور قوانین میں تبدیلی سے پیدا ہوتے ہیں۔ کمپنی نے ان خطرات کا سامنا اور ان سے نمٹنے کیلئے مختلف معاملات میں اصول واضع کئے ہوئے ہیں۔

## کریڈٹ خطرات

یہ خطرہ لاحق ہوتا ہے کہ جب کمپنی سے خرید کرنے والی پارٹی نادہندہ ہو جائے۔ ان خطرات کو کم کرنے کے لئے کمپنی گاہکوں کو قرضہ پر فروخت کا جائزہ لیتی رہتی ہے اور ادھار فروختگی کا جائزہ لیتی رہتی ہے۔

## لیکوڈیٹی خطرات

یہ خطراہ پیدا ہوتا ہے جب کمپنی کو کیش کی فراہمی کم ہو جائے اور کمپنی اپنے ذمے واجبات ادا نہ کر سکے اس خطرے سے نمٹنے کیلئے کمپنی ہمیشہ وافر کیش کی فراہمی یقینی بناتی ہے۔

## مضبوط اندرونی مالیاتی کنٹرولز

کمپنی اپنے اثاثوں کی حفاظت، فراڈ کی بروقت تشخیص اور قوانین کی پاسداری کے لئے مالیاتی اور اندرونی کنٹرولز کا موئثر نظام رکھتی ہے۔ یہ نظام کمپنی کا انٹرنل آڈٹ ڈیپارٹمنٹ مسلسل چیک کرتا رہتا ہے اور بورڈ کی آڈٹ کمیٹی اپنے اختیارات کے مطابق سہ ماہی بنیادوں پر اندرونی اور مالیاتی کنٹرولز کا جائزہ لیتی رہتی ہے۔

## کارپوریٹ سماجی ذمہ داری

کمپنی کارپوریٹ سماجی ذمہ داری کو بنیادی ذمہ داری سمجھتی ہے اور ایک اچھی کارپوریٹ شہریت کی حامل ہونے کی خواہاں ہے۔ کمپنی معاشرے کو بہتر صحت اور تعلیمی سہولیات فراہم کر کے اپنا کردار ادا کر رہی ہے۔ کارپوریٹ سماجی ذمہ دار ہونے کے طور پر کمپنی نے اس سال ورکر کی صحت کو سب سے اہم جانا ہے۔ کرونا کے پیش نظر کمپنی نے ایک جماعت تشکیل دی ہے جس نے حکومت کے احکامات کو لاگو کیا۔ جماعت نے حفاظتی تدابیر سے متعلق آگاہی مہم چلائی۔ کمپنی میڈیکل کیمپس منعقد کرتی ہے اور وائیرل بیماریوں سے بچاؤ کے لیے سپرے کو یقینی بناتی ہے۔

## خاطر خواہ تبدیلیاں

بورڈ آف ڈائریکٹرز نے اپنے اجلاس بتاریخ 30 ستمبر 2021 میں میسرز امپیریل ٹیکسٹائل ملز لیمیٹڈ کے سو فیصد حصص خریدنے کی منظوری دی ہے۔ حصص کی قیمت خرید بشمول کمپنی کے واجبات کی ادائیگی 375 ملین روپے ہے۔

## متعلقہ پارٹیز کے ساتھ لین دین

مالی سال برائے اختتام جون 30، 2021 میں مطعلقہ پارٹیز کے ساتھ لین دین معمول کے مطابق کاروباری ریٹ پر تھا۔

# کارپوریٹ گورننس

## گورننس کے بہترین طریقے

ڈائریکٹرز گورننس کو بہترین بنانے کے لیے پرعزم ہیں اورلسٹڈکمپنیز (ضابطے برائے کارپوریٹ گورننس) قواعد2019 کی ضروریات ورول بک آف پاکستان سٹاک ایکسچینج سے ہم آہنگ ہیں۔ ضوابط برائے کارپوریٹ گورننس سے متعلق مواد لف ہذا ہے۔

1- ڈائریکٹرز کی کل تعداد 9 ہے

- مرد آٹھ
- خواتین ایک

2- بورڈ کی تشکیل ذیل طریق پر ہے۔

| قسم | نام |
|---|---|
| آزادڈائریکٹر | 1 جناب بابرعلی<br>2 جناب مسعودکریم شیخ<br>3 محترمہ پروین اختر ملک |
| نان ایگزیکٹوڈائریکٹر | 4 جناب شیخ نسیم احمد<br>5 جناب فیصل احمد<br>6 جناب فہدمختار |
| ایگزیکٹوڈائریکٹرز | 7 جناب رحمٰن نسیم<br>8 جناب عامرنسیم<br>9 جناب محمد مختار شیخ |

3- بورڈنے ذیل ممبران پر مشتمل کمیٹیاں تشکیل دی ہیں۔

| کمیٹی کا نام | ممبراور چیئرمین کا نام |
|---|---|
| آڈٹ کمیٹی | 1 محترمہ پروین اختر ملک (آزادڈائریکٹر) چیئرمین<br>2 جناب شیخ نسیم احمد - ممبر<br>3 جناب فہدمختار - ممبر<br>4 جناب بابرعلی - ممبر |
| ہیومن ریسورس اینڈ ریمونریشن کمیٹی | 1 جناب بابرعلی (آزادڈائریکٹر) چیئرمین<br>2 جناب فہدمختار - ممبر<br>3 جناب فیصل احمد- ممبر |
| اسٹریٹیجک منصوبہ بندی کمیٹی | 1 جناب رحمٰن نسیم - چیئرمین<br>2 جناب مسعودکریم شیخ - ممبر<br>3 محترمہ پروین اختر - ممبر |

4- نان ایگزیکٹواور آزاد ڈائریکٹرز صرف کمپنی کے اجلاس میں شرکت کرنے پر فیس وصول کرنے کے حقدار ہیں۔ کمپنی اجلاسوں میں شرکت سے متعلق ڈائیریکٹرز کے سارے اخراجات اٹھانے کی پابند ہے۔ ایگزیکٹو ڈائیریکٹرز کی اجرت بورڈ طے کرے گا۔ ڈائیریکٹرز کی اجرت مالی سال 2020-2021 کے لئے مالی حسابات کے نوٹ نمبر 43 میں شائع کی گئی ہے۔

## ڈائریکٹرز کا بیان

کارپوریٹ و مالیاتی رپورٹ ہائے پر ڈائریکٹرز کی بیان ذیل ہیں۔

☆ مالیاتی رپورٹ برائے سال اختتام پذیر مورخہ 30 جون 2021 میں معاملات کی نوعیت ان کے نتائج، کیش کا بہاؤ، حصص کی معلومات کو مناسب انداز میں بیان کیا گیا ہے۔

☆ حساب کتاب کے لیے درست انداز میں اکاؤنٹ بکس کو ترتیب دیا گیا ہے۔

☆ کمپنی نے مالیاتی گوشوارے برائے سال اختتام پذیر 30 جون 2021 کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی ہے اور شماریاتی تخمینے مناسب اور معقول نظریات پر مبنی ہیں۔

☆ مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیار کی جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔

☆ اندرونی کنٹرول کا نظام مستحکم ہے اور اسے موثر انداز میں نافذ کیا گیا ہے جسکی نگرانی بھی کی جاتی ہے۔

☆ کمپنی کا کاروبار رواں دواں رکھنے کی صلاحیت شکوک وشبہات سے بالاتر ہے۔

☆ لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کی اعلیٰ ترین روایات سے کوئی کمی بیشی نہیں کی گئی۔

## حصص کا طریق کار

حصص سے متعلق طریق کار جیسا کہ 30 جون 2021 تک ہے۔(لف ہے)

## حصص کے منافع کا اعلان

ڈائریکٹر نے مالی سال برائے اختتام 30 جون 2021 کے لیے فائینل کیش ڈیوڈینڈ 10 روپے فی حصص تجویز کیا ہے۔ جو کہ عبوری کیش ڈیوڈینڈ 20 روپے فی حصص کے علاوہ ہے۔ جو مالی سال 21-2020 میں حصص یافتگان کو ادا کیا گیا ہے۔

## آڈیٹرز

میسرز KPMG تاثیر ہادی اینڈ کو، سے ریٹائرڈ شدہ چارٹرڈ اکاؤنٹنٹس نے خود کو اہل گردانتے ہوئے اپنی تعیناتی برائے سال2022-2021 پیشکش کی ہے۔

## انتظامیہ / تعلقات ہمراہ لیبر

رواں سال انتظامیہ اور لیبر کے مابین تعلقات پر جوش اور خوشگوار رہے۔ ہم اپنے ملازمین کو خاص اہمیت دیتے ہیں۔ ہم اپنے انسانی وسائل کی فنی ترقی اور مہارت میں بہتری لانے کے لیے سرمایہ کاری جاری رکھتے ہیں۔ ہم یہ سمجھتے ہیں کہ اپنے لوگوں پر سرمایہ کاری مستقبل پر سرمایہ کاری کرنے کے مترادف ہے۔ کمپنی کی انسانی وسائل سے متعلق حکمت عملی مساوات کی اقدار پر منحصر ہے جس میں قابلیت، مساوی مواقع اور سماجی ذمہ داریاں شامل ہیں۔ اپنی انسانی وسائل کی حکمت عملی کو مدنظر رکھتے ہوئے ہم چائلڈ لیبر نہیں لیتے۔ ملازمین اور کمپنی انتظامیہ باہمی طور پر اعلیٰ معیاری پیداوار کے لیے محنت کرتے ہیں۔ انتظامیہ اور لیبر کا رشتہ مکمل ہم آہنگی سے چلتا ہے۔ بورڈ اس ضمن میں آن ریکارڈ ان لوگوں کی محنت کس سراہتا ہے جن کی وجہ سے ایسے نتائج میسر آئے۔

بتاریخ 30 ستمبر 2021

بورڈ کی طرف سے

شیخ نسیم احمد
ڈائریکٹر

رحمان نسیم
چیف ایگزیکٹو آفیسر

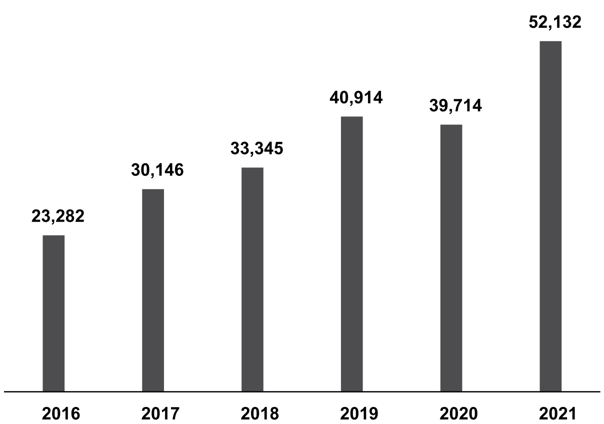
# FINANCIAL HIGHLIGHTS

## Key Financial Performance Indicators

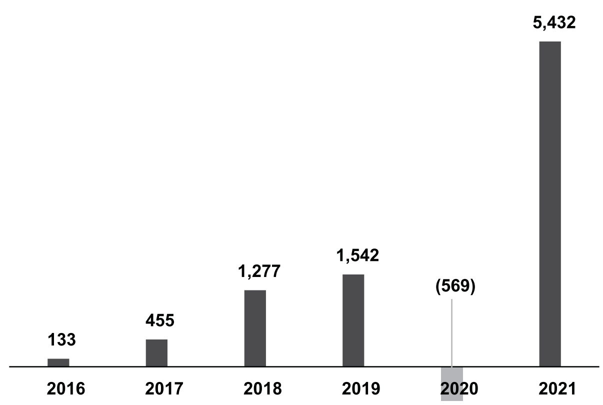
Rupees In Millions

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Sales | **52,132** | 39,714 | 40,914 | 33,345 | 30,146 | 23,282 |
| Gross Profit | **8,005** | 4,561 | 5,015 | 3,204 | 2,198 | 2,000 |
| EBIT | **7,357** | 3,003 | 4,881 | 2,907 | 1,763 | 1,496 |
| EBITDA | **8,793** | 4,242 | 6,040 | 3,928 | 2,676 | 2,409 |
| Profit Before Tax | **5,563** | 58 | 2,547 | 1,535 | 709 | 401 |
| Profit After Tax | **5,432** | (569) | 1,542 | 1,277 | 455 | 133 |
| Net Assets | **34,697** | 20,680 | 21,739 | 20,783 | 15,835 | 15,477 |

SALES - RUPEES IN MILLIONS



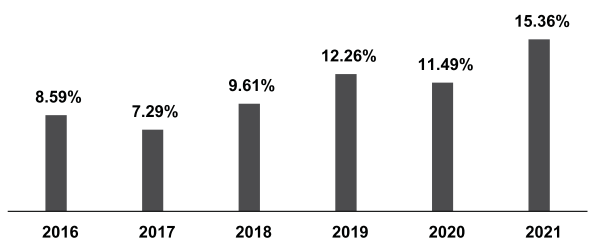

PROFIT AFTER TAX - RUPEES IN MILLIONS



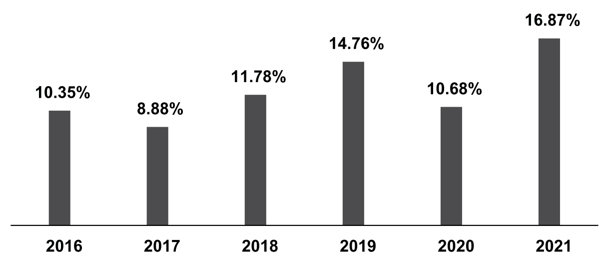
## Profitability

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| | | | Ratios | | | |
| Gross Profit Margin | **15.36%** | 11.49% | 12.26% | 9.61% | 7.29% | 8.59% |
| EBITDA Margin | **16.87%** | 10.68% | 14.76% | 11.78% | 8.88% | 10.35% |
| EBIT to Sales | **14.11%** | 7.56% | 11.93% | 8.72% | 5.85% | 6.42% |
| Pre Tax Profit | **10.67%** | 0.15% | 6.23% | 4.60% | 2.35% | 1.72% |
| Net Profit Margin | **10.42%** | -1.43% | 3.77% | 3.83% | 1.51% | 0.57% |
| Net Return on Equity | **15.65%** | -2.75% | 7.09% | 6.14% | 2.87% | 0.86% |
| Net Return on Asset | **8.09%** | -1.03% | 2.82% | 2.62% | 1.15% | 0.40% |
| Return on Capital Employed | **14.04%** | 7.81% | 13.75% | 8.95% | 6.67% | 6.00% |

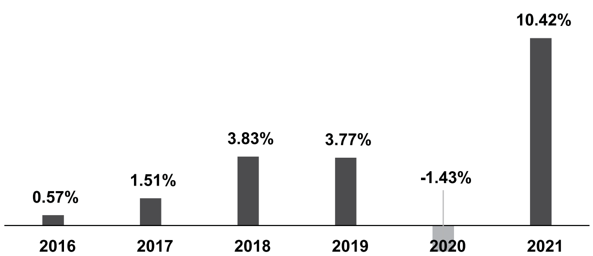
GROSS PROFIT MARGIN



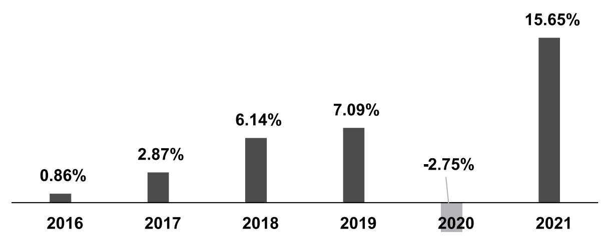

EBITDA MARGIN




NET PROFIT MARGIN



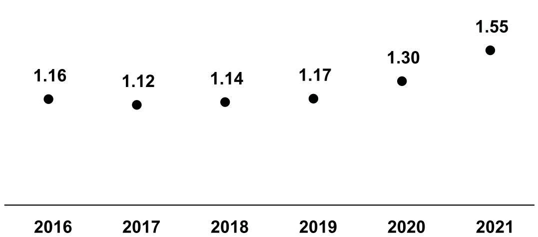

NET RETURN ON EQUITY



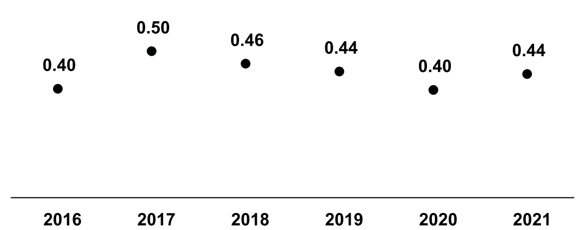

## Liquidity

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| | | | Ratios | | | |
| Current Ratio | **1.55** | 1.30 | 1.17 | 1.14 | 1.12 | 1.16 |
| Quick Ratio | **0.44** | 0.40 | 0.44 | 0.46 | 0.50 | 0.40 |

CURRENT RATIO



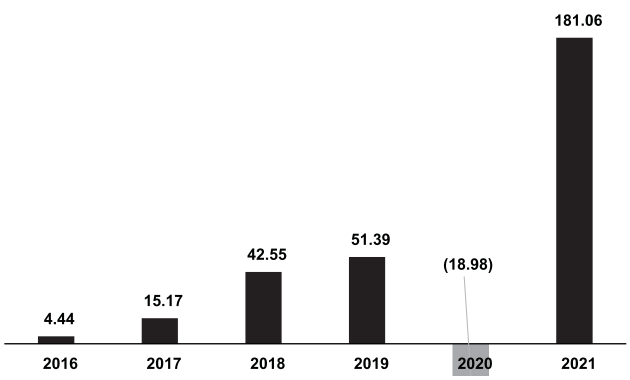

QUICK RATIO



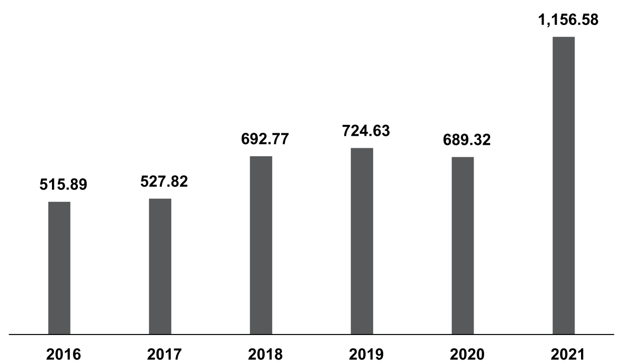
## Investment

| | | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Earning Per Share | Rupees | **181.06** | (18.98) | 51.39 | 42.55 | 15.17 | 4.44 |
| Price Earning Ratio | Times | **1.62** | (7.36) | 2.72 | 3.52 | 11.80 | 32.01 |
| Dividend Yield Ratio | % | **10.20** | - | 7.50 | 5.68 | 2.93 | 1.76 |
| Dividend Payout Ratio | % | **16.57** | - | 20.43 | 19.98 | 34.62 | 56.35 |
| Dividend Cover Ratio | Times | **6.04** | - | 4.89 | 5.01 | 2.89 | 1.77 |
| Dividend Per Share | Rupees | **30.00** | - | 10.50 | 8.50 | 5.25 | 2.50 |
| Break-Up Value | Rupees | **1,156.58** | 689.32 | 724.63 | 692.77 | 527.82 | 515.89 |
| Proposed Dividend/Interim Dividend | Rupees In Millions | **900** | - | 315 | 255 | 157.5 | 75 |
| Market Value Per Share at Year End | Rupees | **294** | 139.75 | 140.00 | 149.69 | 178.99 | 142.00 |

EARNINGS PER SHARE




BREAK-UP VALUE PER SHARE

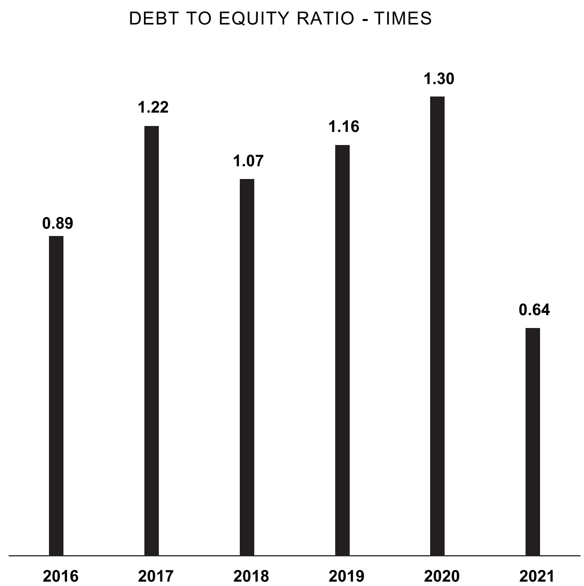


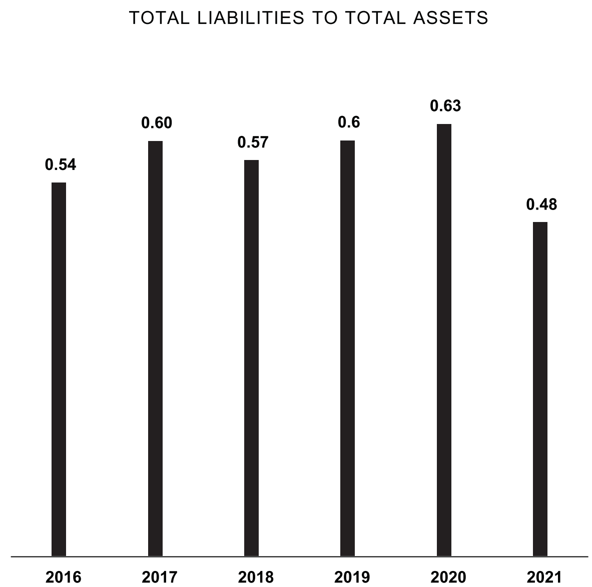

## Activity /Turnover Ratios

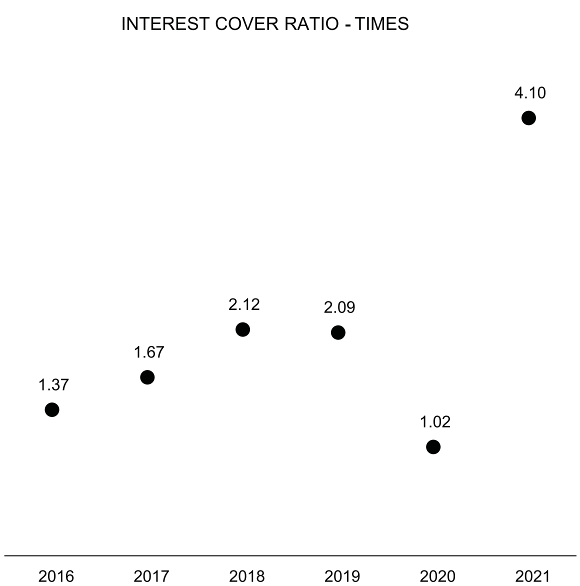
| | | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Inventory Turnover Ratio | Times | **2.94** | 2.55 | 3.07 | 3.36 | 4.05 | 3.65 |
| No. of Days in Inventory | Days | **123.97** | 142.96 | 118.91 | 108.61 | 90.11 | 99.92 |
| Debtors Turnover Ratio | Times | **10.55** | 7.04 | 7.20 | 6.77 | 8.92 | 7.52 |
| No. of Days in Receivables | Days | **34.60** | 51.83 | 50.72 | 53.95 | 40.92 | 48.52 |
| Creditors Turnover Ratio | Times | **26.01** | 21.52 | 26.45 | 45.21 | 67.29 | 57.07 |
| No. of Days in Creditors | Days | **14.03** | 16.96 | 13.80 | 8.07 | 5.42 | 6.40 |
| Operating Cycle | Days | **144.53** | 177.83 | 155.83 | 154.48 | 125.61 | 142.04 |
| Total Assets Turnover Ratio | Times | **0.78** | 0.72 | 0.75 | 0.69 | 0.76 | 0.69 |
| Fixed Assets Turnover Ratio | Times | **1.17** | 1.19 | 1.27 | 1.10 | 1.21 | 0.99 |

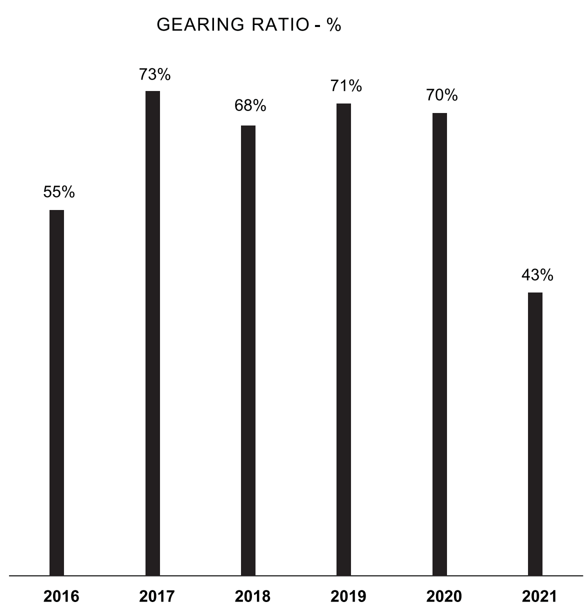
## Capital Structure

| | | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Debt to Equity Ratio | Times | **0.64** | 1.30 | 1.16 | 1.07 | 1.22 | 0.89 |
| Long Term Liabilities to Equity | Times | **0.51** | 0.86 | 0.63 | 0.56 | 0.67 | 0.61 |
| Interest Cover Ratio | Times | **4.10** | 1.02 | 2.09 | 2.12 | 1.67 | 1.37 |
| Debt Service Coverage | Times | **2.82** | 0.91 | 1.35 | 1.18 | 0.77 | 0.89 |
| Total Liabilities to Total Assets | Ratio | **0.48** | 0.63 | 0.60 | 0.57 | 0.60 | 0.54 |
| Gearing Ratio | % | **43%** | 70% | 71% | 68% | 73% | 55% |

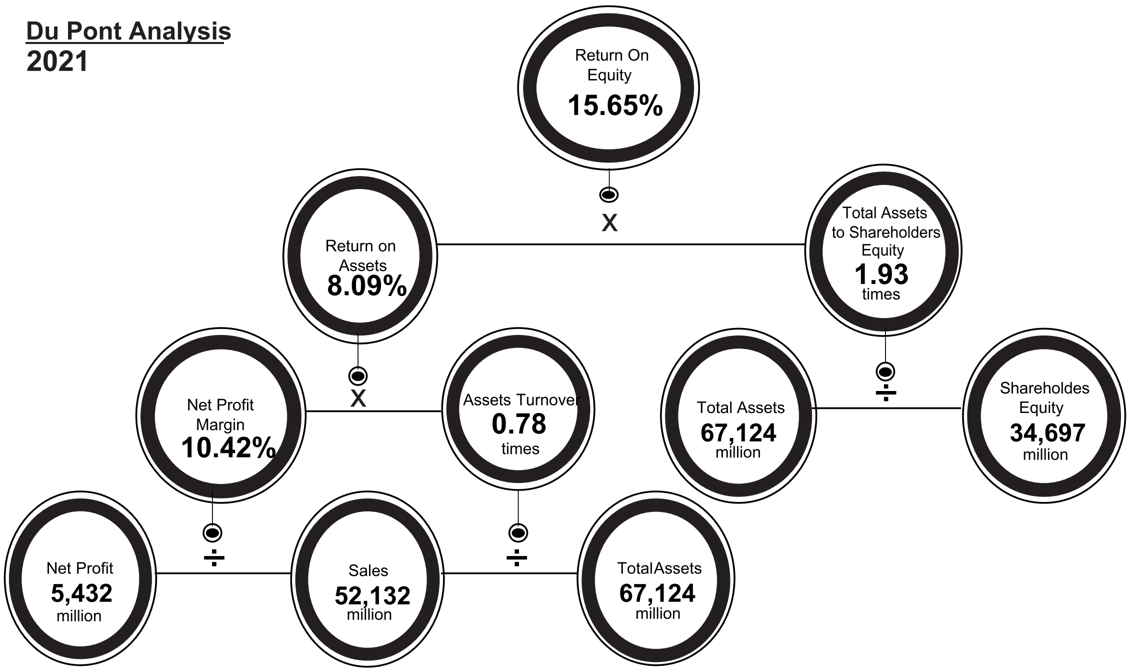


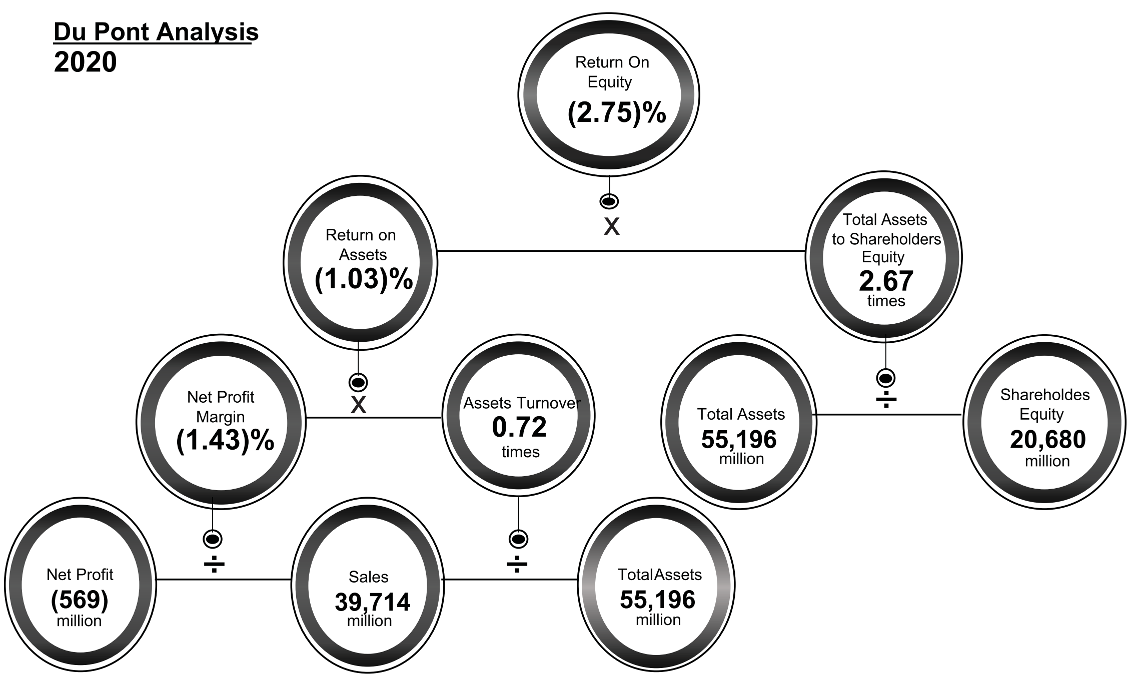



**Du Pont Analysis**
**2021**




**Du Pont Analysis**
**2020**



## Vertical Analysis

For The Last Six Financial Years

**Statement of Financial Position**

Rupees in Millions

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property, Plant and Equipment | **57** | **38,416** | 51 | 28,197 | 50 | 27,229 | 53 | 25,706 | 53 | 20,983 | 59 | 19,895 |
| Long Term Investments and Advances | **9** | **5,929** | 9 | 5,151 | 9 | 5,068 | 9 | 4,501 | 10 | 3,872 | 11 | 3,585 |
| Long Term Deposits | **0** | **24** | 0 | 24 | 0 | 24 | 0 | 24 | 0 | 24 | 0 | 24 |
| **Total Non Current Assets** | **66** | **44,370** | 60 | 33,371 | 59 | 32,321 | 62 | 30,231 | 63 | 24,880 | 70 | 23,505 |
| Stores, Spares and Loose Tools | **1** | **850** | 1 | 699 | 1 | 762 | 1 | 542 | 2 | 626 | 1 | 470 |
| Stock in Trade | **23** | **15,470** | 26 | 14,504 | 24 | 13,033 | 21 | 10,357 | 19 | 7,580 | 18 | 6,219 |
| Loans and Advances | **0** | **226** | 0 | 205 | 0 | 93 | 0 | 165 | 0 | 198 | 0 | 161 |
| Short Term Investments | **0** | **176** | 0 | 164 | 0 | 183 | 0 | 198 | 1 | 220 | 1 | 221 |
| Trade Debts | **7** | **4,738** | 9 | 5,146 | 11 | 6,132 | 11 | 5,238 | 12 | 4,619 | 6 | 2,141 |
| Other Current Assets | **2** | **1,294** | 2 | 1,107 | 4 | 2,071 | 4 | 1,919 | 4 | 1,549 | 3 | 968 |
| **Total Current Assets** | **34** | **22,754** | 40 | 21,824 | 41 | 22,274 | 38 | 18,419 | 37 | 14,792 | 30 | 10,180 |
| **Total Assets** | **100** | **67,124** | 100 | 55,196 | 100 | 54,595 | 100 | 48,650 | 100 | 39,672 | 100 | 33,685 |
| No. of Ordinary Shares | | **30** | | 30 | | 30 | | 30 | | 30 | | 30 |
| Shareholder's Equity | **52** | **34,697** | 37 | 20,680 | 40 | 21,739 | 43 | 20,783 | 40 | 15,835 | 46 | 15,477 |
| Long Term Financing | **19** | **12,689** | 26 | 14,261 | 19 | 10,445 | 19 | 9,209 | 21 | 8,329 | 22 | 7,284 |
| Deferred Tax | **6** | **4,357** | 6 | 3,126 | 6 | 3,039 | 5 | 2,201 | 5 | 2,057 | 6 | 1,943 |
| Other Non-Current Liabilities | **1** | **672** | 1 | 382 | 1 | 274 | 1 | 269 | 1 | 215 | 1 | 219 |
| **Total Non-Current Liabilities** | **26** | **17,717** | 32 | 17,769 | 25 | 13,758 | 24 | 11,679 | 27 | 10,601 | 28 | 9,446 |
| Short Term Borrowings | **9** | **6,007** | 21 | 11,537 | 23 | 12,300 | 22 | 10,729 | 23 | 8,941 | 13 | 4,451 |
| Current Portion of Long Term Liabilities | **5** | **3,664** | 2 | 1,011 | 5 | 2,518 | 5 | 2,201 | 5 | 1,994 | 6 | 2,020 |
| Trade Payable and Bills Payable | **3** | **1,687** | 2 | 1,114 | 3 | 1,544 | 2 | 804 | 1 | 356 | 1 | 349 |
| Other Current Liabilities | **5** | **3,351** | 6 | 3,085 | 5 | 2,736 | 5 | 2,455 | 5 | 1,946 | 6 | 1,942 |
| **Total Current Liabilities** | **22** | **14,710** | 30 | 16,747 | 35 | 19,098 | 33 | 16,188 | 33 | 13,237 | 26 | 8,762 |
| **Total Equity and Liabilities** | **100** | **67,124** | 100 | 55,196 | 100 | 54,595 | 100 | 48,650 | 100 | 39,672 | 100 | 33,685 |

**Statement of Profit or Loss**

Rupees in Millions

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | **100** | **52,132** | 100 | 39,714 | 100 | 40,914 | 100 | 33,345 | 100 | 30,146 | 100 | 23,282 |
| Cost of Sales | **85** | **44,127** | 89 | 35,153 | 88 | 35,899 | 90 | 30,141 | 93 | 27,948 | 91 | 21,282 |
| Gross Profit | **15** | **8,005** | 11 | 4,561 | 12 | 5,015 | 10 | 3,204 | 7 | 2,198 | 9 | 2,000 |
| EBITDA | **17** | **8,793** | 11 | 4,242 | 15 | 6,040 | 12 | 3,928 | 9 | 2,676 | 10 | 2,409 |
| Depreciation | **3** | **1,436** | 3 | 1,239 | 3 | 1,159 | 3 | 1,022 | 3 | 913 | 4 | 914 |
| EBIT | **14** | **7,357** | 8 | 3,003 | 12 | 4,881 | 9 | 2,907 | 6 | 1,763 | 6 | 1,496 |
| Other Income | **1** | **644** | 2 | 685 | 2 | 823 | 1 | 485 | 1 | 415 | 1 | 286 |
| Finance Cost | **3** | **1,795** | 7 | 2,945 | 6 | 2,334 | 4 | 1,372 | 3 | 1,055 | 5 | 1,094 |
| Profit Before Tax | **11** | **5,563** | 0 | 58 | 6 | 2,547 | 5 | 1,535 | 2 | 709 | 2 | 401 |
| Profit After Tax | **10** | **5,432** | -1 | (569) | 4 | 1,542 | 4 | 1,277 | 2 | 455 | 1 | 133 |

## Horizontal Analysis

For The Last Six Financial Years

**Statement of Financial Position**

Rupees in Millions

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property, Plant and Equipment | **36** | **38,416** | 4 | 28,197 | 6 | 27,229 | 23 | 25,706 | 5 | 20,983 | 0 | 19,895 |
| Long Term Investments and Advances | **15** | **5,929** | 2 | 5,151 | 13 | 5,068 | 16 | 4,501 | 8 | 3,872 | 5 | 3,585 |
| Long Term Deposits | **-** | **24** | 0 | 24 | - | 24 | (2) | 24 | - | 24 | (29) | 24 |
| **Total Non Current Assets** | **33** | **44,370** | 3 | 33,371 | 7 | 32,321 | 22 | 30,231 | 6 | 24,880 | 1 | 23,505 |
| Stores, Spares and Loose Tools | **22** | **850** | (8) | 699 | 40 | 762 | (13) | 542 | 33 | 626 | 10 | 470 |
| Stock in Trade | **7** | **15,470** | 11 | 14,504 | 26 | 13,033 | 37 | 10,357 | 22 | 7,580 | 14 | 6,219 |
| Loans and Advances | **10** | **226** | 121 | 205 | (44) | 93 | (17) | 165 | 23 | 198 | (70) | 161 |
| Short Term Investments | **8** | **176** | (10) | 164 | (8) | 183 | (10) | 198 | (1) | 220 | (59) | 221 |
| Trade Debts | **(8)** | **4,738** | (16) | 5,146 | 17 | 6,132 | 13 | 5,238 | 116 | 4,619 | (47) | 2,141 |
| Other Current Assets | **17** | **1,294** | (47) | 1,107 | 8 | 2,071 | 24 | 1,919 | 60 | 1,549 | 1 | 968 |
| **Total Current Assets** | **4** | **22,754** | (2) | 21,824 | 21 | 22,274 | 25 | 18,419 | 45 | 14,792 | (15) | 10,180 |
| **Total Assets** | **22** | **67,124** | 1 | 55,196 | 12 | 54,595 | 23 | 48,650 | 18 | 39,672 | (5) | 33,685 |
| No. of Ordinary Shares | | **30** | | 30 | | 30 | | 30 | | 30 | | 30 |
| Shareholder's Equity | **68** | **34,697** | (5) | 20,680 | 5 | 21,739 | 31 | 20,783 | 2 | 15,835 | (2) | 15,477 |
| Long Term Financing | **(11)** | **12,689** | 37 | 14,261 | 13 | 10,445 | 11 | 9,209 | 14 | 8,329 | 5 | 7,284 |
| Deferred Tax | **39** | **4,357** | 3 | 3,126 | 38 | 3,039 | 7 | 2,201 | 6 | 2,057 | 4 | 1,943 |
| Other Non-Current Liabilities | **76** | **672** | 40 | 382 | 2 | 274 | 25 | 269 | (2) | 215 | (1) | 219 |
| **Total Non-Current Liabilities** | **(0)** | **17,717** | 29 | 17,769 | 18 | 13,758 | 10 | 11,679 | 12 | 10,601 | 5 | 9,446 |
| Short Term Borrowings | **(48)** | **6,007** | (6) | 11,537 | 15 | 12,300 | 20 | 10,729 | 101 | 8,941 | (34) | 4,451 |
| Current Portion of Long Term Liabilities | **263** | **3,664** | (60) | 1,011 | 14 | 2,518 | 10 | 2,201 | (1) | 1,994 | 32 | 2,020 |
| Trade Payable and Bills Payable | **51** | **1,687** | (28) | 1,114 | 92 | 1,544 | 126 | 804 | 2 | 356 | 46 | 349 |
| Other Current Liabilities | **9** | **3,351** | 13 | 3,085 | 11 | 2,736 | 26 | 2,455 | 0 | 1,946 | (3) | 1,942 |
| **Total Current Liabilities** | **(12)** | **14,710** | (12) | 16,747 | 18 | 19,098 | 22 | 16,188 | 51 | 13,237 | (16) | 8,762 |
| **Total Equity and Liabilities** | **22** | **67,124** | 1 | 55,196 | 12 | 54,595 | 23 | 48,650 | 18 | 39,672 | (5) | 33,685 |

**Statement of Profit or Loss**

Rupees in Millions

| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | **31** | **52,132** | (3) | 39,714 | 23 | 40,914 | 11 | 33,345 | 29 | 30,146 | (15) | 23,282 |
| Cost of Sales | **26** | **44,127** | (2) | 35,153 | 19 | 35,899 | 8 | 30,141 | 31 | 27,948 | (14) | 21,282 |
| Gross Profit | **76** | **8,005** | (9) | 4,561 | 57 | 5,015 | 46 | 3,204 | 10 | 2,198 | (31) | 2,000 |
| EBITDA | **107** | **8,793** | (30) | 4,242 | 54 | 6,040 | 47 | 3,928 | 11 | 2,676 | (18) | 2,409 |
| Depreciation | **16** | **1,436** | 7 | 1,239 | 13 | 1,159 | 12 | 1,022 | (0) | 913 | 18 | 914 |
| EBIT | **145** | **7,357** | (38) | 3,003 | 68 | 4,881 | 65 | 2,907 | 18 | 1,763 | (31) | 1,496 |
| Other Income | **(6)** | **644** | (17) | 685 | 70 | 823 | 17 | 485 | 45 | 415 | 152 | 286 |
| Finance Cost | **(39)** | **1,795** | 26 | 2,945 | 70 | 2,334 | 30 | 1,372 | (4) | 1,055 | (28) | 1,094 |
| Profit Before Tax | **9,514** | **5,563** | (98) | 58 | 66 | 2,547 | 117 | 1,535 | 77 | 709 | (39) | 401 |
| Profit After Tax | **1,054** | **5,432** | (137) | (569) | 21 | 1,542 | 181 | 1,277 | 242 | 455 | (73) | 133 |

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

Name of Company : FAZAL CLOTH MILLS LIMITED

Year Ended : JUNE 30, 2021

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

1. The total number of directors is Nine as per the following:
   a. Male: Eight
   b. Female: One
2. The composition of board is as follows:

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

* Two out of these directors have been paid remuneration as the directors of Fazal Weaving Mills Limited, now merged into the Company

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including FAZAL CLOTH MILLS LIMITED;
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the board/shareholders as empowered by the relevant provisions of the act and these regulations;
7. The meetings of the Board of Directors were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.

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

9. Six directors of the Company have completed formal Directors Training Program (DTP) whereas one director fall under exemption from the mandatory requirement for acquiring DTP certification. For the remaining two directors training has been scheduled and convened in due course of time.

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

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

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

| Name of Committee | Name of Members and Chairman |
|---|---|
| Audit Committee | 1. Ms. Parveen Akhter Malik (Independent Director) Chairman<br>2. Mr. Babar Ali (Independent Director)<br>3. Mr. Sh Naseem Ahmed – Member<br>4. Mr. Fahd Mukhtar– Member |
| Human Resource and Remuneration Committee | 1. Mr. Babar Ali (Independent Director) Chairman<br>2. Mr. Fahd Mukhtar – Member<br>3. Mr. Faisal Ahmed – Member |

The Board has not formed the 'Nomination Committee' and 'Risk Management Committee' as responsibilities of these committees are being taken care of at the Board level as and when required. Therefore, a need for the separate formation of these committees does not exist.

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

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

Number of the audit committee meetings held during the year was Four.The detail of audit committee Meetings is as follows:

| Name of Committee Member | Designation | Number of meetings held | Meeting Attended |
|---|---|---|---|
| Ms. Parveen Akhter Malik | Independent Director / Chairman Audit Committee | 4 | 2 |
| Mr. Babar Ali | Member | 4 | 4 |
| Mr. Sheikh Naseem Ahmed | Member | 4 | 4 |
| Mr. Fahd Mukhtar | Member | 4 | 4 |

Number of human resource and remuneration committee meeting held during the year was three. The details of human resource and remuneration committee meeting are as follows:

| Name of Committee Member | Designation | Number of meetings held | Meeting Attended |
|---|---|---|---|
| Mr. Babar Ali | Chairman | 2 | 2 |
| Mr. Fahd Mukhtar | Member | 2 | 2 |
| Mr. Faisal Ahmad | Member | 2 | 2 |

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

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

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

**Dated: September 30, 2021**

**(Sheikh Naseem Ahmad)**
**Chairman**

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

# INDEPENDENT AUDITOR'S REVIEW REPORT

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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fazal Cloth Mills Limited ("the Company") for the year ended 30 June 2021 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 part of our audit of 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, of its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

KPMG Taseer Hadi & Co.

**Lahore**

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

**Date: 05 October 2021**

# Fazal Cloth Mills Limited

## Financial Statements
## for the year ended 30 June 2021

KPMG Taseer Hadi & Co.

# INDEPENDENT AUDITOR'S REPORT

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

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

***Opinion***

We have audited the annexed financial statements of **Fazal Cloth Mills Limited**("the Company"), which comprise the statement of financial position as at 30June 2021,and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

***Basis for Opinion***

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

***Emphasis of Matter***

We draw attention to note 1.2 to the financial statements, which describes that during the year the Lahore High Court has approved the scheme of Amalgamation between the Company & Fazal Weaving Mills Limited, a wholly owned subsidiary, effective from 01 July 2018. Consequently, the comparative financial statements have been restated to incorporate the financial adjustments due to merger. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

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

Following are the key audit matters:

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 01 | **Revenue from contracts with customers**<br>Refer to notes 4.15 and 29 to the financial statements.<br>The Company recognized revenue of Rs. 52,132.24 million from the sale of goods to domestic as well as export customers during the year ended 30 June 2021.<br>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to a risk that revenue may be recognized without transferring the control. | Our audit procedures to assess recognition of revenue, amongst others, included the following:<br>• obtaining an understanding of the process relating to recording of revenue and testing the design, implementation and operating effectiveness of key internal controls;<br>• assessing the appropriateness of the Company's accounting policies for recording of revenue and compliance of those policies with applicable accounting standards;<br>• comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;<br>• comparing, on a sample basis, specific revenue transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and<br>• scanning for any manual journal entries relating to sales raised during the year which were considered to be material or met other specific risk based criteria for inspecting underlying documentation. |
| 02 | **Revaluation of property, plant and equipment**<br>Refer notes 2.4.3, 4.2, 7 and 17 to the financial statements.<br>The Company follows the revaluation model for subsequent measurement of freehold land, buildings on freehold land and plant and machinery.<br>Latest revaluation was carried out on 01 January 2021. The valuation was performed by an external professional valuer engaged by the Company.<br>We identified revaluation of property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgment and estimation. | Our audit procedures to assess the revaluation of property, plant and equipment, amongst others, included the following:<br>• obtaining and inspecting the valuation reports prepared by the external expert engaged by the Company and on which the management assessment of valuation of property, plant and equipment was based.<br>• evaluating the information provided by the Company to the external professional valuer by inspecting the relevant underlying documentation.<br>• involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuations report by the valuer engaged by the Company;<br>• checking that the revaluation surplus has been recorded in the financial statements as per applicable accounting and reporting standards; and<br>• assessing the adequacy of the disclosures made in financial statements in accordance with the requirements of the applicable accounting and reporting standards. |

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>03</td><td>Valuation of Investment in Fatima Energy Limited<br><br>Refer note 2.4.9,4.12 and 18 to the financial statements.<br><br>The Company holds investments in equity instruments of Fatima Energy Limited (FEL). Due to FEL being non-listed Company, its share do not have a quoted price in an active market. Therefore, fair value of shares have been determined through valuation methodology based on discounted cashflow model. This involves several estimation techniques and management's judgements to obtain reasonable and expected future cashflows of business and related discount rates. Management involved an expert to perform these valuations on its behalf.<br><br>Due to the significant level of judgement and estimation required to determine the fair values of the investments, we consider it to be a key audit matter.</td><td>Our audit procedures, amongst others, included the following:<br><br>• understanding and evaluating the process by which the cashflow forecasts were prepared and approved, including confirming the mathematical accuracy of the underlying calculations;<br><br>• evaluating the cashflow forecasts by obtaining an understanding of business of FEL;<br><br>• evaluating the valuer's competence, capability and objectivity and assessing the appropriateness of methodology adopted by the professional valuer engaged by the management;<br><br>• involving our internal valuation specialist to assist us in assessing the significant assumptions and judgments applied by management in the cash flow forecasts, including discount rate, projected growth rates, future revenue and costs and production volumes, with reference to available market information;<br><br>• performing independently, a sensitivity analysis in consideration of the potential impact of reasonably possible upside or downside changes in key assumptions; and<br><br>• assessing the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.</td></tr>
</table>

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

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
-
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
-
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

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

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

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

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

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

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

KPMG Taseer Hadi & Co.

**Lahore**

**Date: 05 October 2021**

**KPMG Taseer Hadi & Co**
**Chartered Accountant**

# Statement of Financial Position

| | Note | 2021 Rupees | 2020 Rupees *Restated* | 2019 Rupees *Restated* |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| ***Share capital and reserves*** | | | | |
| Authorized share capital | | **700,000,000** | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid-up capital | 5 | **300,000,000** | 300,000,000 | 300,000,000 |
| *Capital reserves:* | | | | |
| - Others capital reserves | 6 | **1,144,019,215** | 1,179,978,846 | 1,373,543,815 |
| - Revaluation surplus on property, plant and equipment - *net* | 7 | **18,009,492,456** | 9,243,287,786 | 9,558,609,807 |
| Unappropriated profits - *revenue reserve* | | **15,243,771,588** | 9,956,439,891 | 10,506,759,022 |
| | | **34,697,283,259** | 20,679,706,523 | 21,738,912,644 |
| ***Non-current liabilities*** | | | | |
| Long term financing - *secured* | 8 | **10,824,513,728** | 11,632,970,065 | 8,755,286,862 |
| Long term musharika - *secured* | 9 | **1,864,061,320** | 2,627,600,636 | 1,690,100,636 |
| Lease liability - *unsecured* | 10 | **72,906,099** | 71,173,118 | - |
| Long term payable - *GIDC* | 12.1 | **304,498,376** | - | - |
| Deferred liabilities: | | | | |
| - *Employee retirement benefits* | 11 | **288,700,623** | 291,766,604 | 273,812,115 |
| - *Deferred grant* | 8 | **5,659,415** | 19,534,423 | - |
| - *Deferred taxation* | 11 | **4,356,792,163** | 3,125,765,394 | 3,039,211,159 |
| | | **17,717,131,724** | 17,768,810,240 | 13,758,410,772 |
| ***Current liabilities*** | | | | |
| Trade and other payables | 12 | **4,569,974,235** | 3,385,785,058 | 3,711,377,120 |
| Contract liabilities | | **150,711,419** | 282,735,847 | 74,909,433 |
| Current portion of non-current liabilities | 13 | **3,663,834,315** | 1,010,564,898 | 2,517,786,016 |
| Short term borrowings - *secured* | 14 | **6,007,110,905** | 11,537,224,217 | 12,299,901,368 |
| Accrued mark-up | 15 | **299,113,187** | 517,191,250 | 481,255,957 |
| Unclaimed dividend | | **18,946,571** | 13,748,423 | 12,340,081 |
| | | **14,709,690,632** | 16,747,249,693 | 19,097,569,975 |
| **Contingencies and commitments** | 16 | | | |
| | | **67,124,105,615** | 55,195,766,456 | 54,594,893,391 |

The annexed notes from 1 to 51 form an integral part of these financial statements.

**(MUHAMMAD AZAM)**
**CHIEF FINANCIAL OFFICER**

**(REHMAN NASEEM)**
**CHIEF EXECUTIVE OFFICER**

*As at 30 June 2021*

| ASSETS | Note | 2021 Rupees | 2020 Rupees *Restated* | 2019 Rupees *Restated* |
|---|---|---|---|---|
| ***Non-current assets*** | | | | |
| Property, plant and equipment | *17* | **38,416,208,361** | 28,196,702,854 | 27,229,288,197 |
| Long term investments | *18* | **2,567,978,856** | 2,416,928,142 | 3,162,395,505 |
| Long term loans and advances | *19* | **3,361,379,821** | 2,733,701,707 | 1,905,124,267 |
| Long term deposits | | **24,128,493** | 24,128,493 | 24,071,493 |
| | | **44,369,695,531** | 33,371,461,196 | 32,320,879,462 |
| ***Current assets*** | | | | |
| Stores, spares and loose tools | *20* | **850,372,683** | 699,438,449 | 761,761,480 |
| Stock-in-trade | *21* | **15,470,402,276** | 14,503,842,642 | 13,033,292,318 |
| Trade debts | *22* | **4,737,549,612** | 5,145,580,847 | 6,132,305,095 |
| Loans and advances | *23* | **225,972,661** | 204,530,174 | 92,746,164 |
| Deposits, prepayments and other receivables | *24* | **120,424,898** | 465,434,760 | 374,669,526 |
| Mark-up accrued | *25* | **-** | 29,338,656 | 261,329,890 |
| Short term investment | *26* | **175,950,000** | 163,587,600 | 182,682,000 |
| Tax refunds due from the Government - *net* | *27* | **1,017,878,311** | 313,703,112 | 1,235,751,418 |
| Cash and bank balances | *28* | **155,859,643** | 298,849,020 | 199,476,038 |
| | | **22,754,410,084** | 21,824,305,260 | 22,274,013,929 |
| | | **67,124,105,615** | 55,195,766,456 | 54,594,893,391 |

**(SHEIKH NASEEM AHMAD)**
**DIRECTOR**

# Statement of Profit or Loss

*For the year ended 30 June 2021*

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| Revenue from contracts with customers - *net* | 29 | **52,132,242,650** | 39,713,734,936 |
| Cost of sales | 30 | **(44,127,252,925)** | (35,152,501,339) |
| **Gross profit** | | **8,004,989,725** | 4,561,233,597 |
| Marketing and distribution expenses | 31 | **(371,693,882)** | (382,342,002) |
| Administrative and general expenses | 32 | **(404,194,205)** | (346,003,681) |
| Other operating expenses | 33 | **(686,006,869)** | (630,772,831) |
| | | **(1,461,894,956)** | (1,359,118,514) |
| Fair value gain - *financial assets* | 18.2.1 | **216,797,126** | - |
| Other income | 34 | **644,454,530** | 684,925,919 |
| **Profit from operations** | | **7,404,346,425** | 3,887,041,002 |
| Share of loss from associates - *net* | 35 | **(46,877,170)** | (884,391,203) |
| Finance cost | 36 | **(1,794,691,668)** | (2,944,787,794) |
| **Profit before taxation** | | **5,562,777,587** | 57,862,005 |
| Taxation | 37 | **(131,020,878)** | (627,358,059) |
| **Profit / (loss) after taxation** | | **5,431,756,709** | (569,496,054) |
| **Earnings / (loss) per share - *basic and diluted*** | 38 | **181.06** | (18.98) |

The annexed notes from 1 to 51 form an integral part of these financial statements.

| | | |
|---|---|---|
| **(MUHAMMAD AZAM)**<br>**CHIEF FINANCIAL OFFICER** | **(REHMAN NASEEM)**<br>**CHIEF EXECUTIVE OFFICER** | **(SHEIKH NASEEM AHMAD)**<br>**DIRECTOR** |

# Statement of Comprehensive Income

*For the year ended 30 June 2021*

| | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|
| **Profit / (loss) after taxation** | **5,431,756,709** | (569,496,054) |
| ***Other comprehensive income / (loss) - net of tax*** | | |
| *Items that will never be reclassified in profit or loss:* | | |
| - Revaluation surplus on property, plant and equipment | | |
| *- Gross amount* | **10,558,450,056** | - |
| *- Related deferred tax* | **(1,360,153,650)** | - |
| | **9,198,296,406** | - |
| - Re-measurement of defined benefit liability | **4,978,807** | 25,354,285 |
| - Equity investments at FVOCI - *net change in fair value* | **(35,959,631)** | (193,564,969) |
| **Total comprehensive income / (loss) for the year** | **14,599,072,291** | (737,706,738) |

The annexed notes from 1 to 51 form an integral part of these financial statements.

| | | |
|---|---|---|
| **(MUHAMMAD AZAM)** | **(REHMAN NASEEM)** | **(SHEIKH NASEEM AHMAD)** |
| **CHIEF FINANCIAL OFFICER** | **CHIEF EXECUTIVE OFFICER** | **DIRECTOR** |

# Statement of Changes in Equity

*For the year ended 30 June 2021*

| | | Capital reserves | | | | Revenue reserve | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital redemption reserve | Fair value reserve | Revaluation surplus on property, plant and equipment | Un-appropriated profits | Total |
| | **Rupees** | | | | | | |
| | *Restated* | | | | | | |
| Balance as at 30 June 2019 | 300,000,000 | 77,616,000 | 175,000,000 | 1,120,927,815 | 9,558,609,807 | 10,506,759,022 | 21,738,912,644 |
| *Total comprehensive (loss) / income for the year:* | | | | | | | |
| Loss for the year 30 June 2020 | - | - | - | - | - | (569,496,054) | (569,496,054) |
| Other comprehensive (loss) / income for the year | - | - | - | (193,564,969) | - | 25,354,285 | (168,210,684) |
| | - | - | - | (193,564,969) | - | (544,141,769) | (737,706,738) |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (303,494,901) | 303,494,901 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - *net of tax* | - | - | - | - | (5,327,737) | 5,327,737 | - |
| Effect on deferred tax due to change in proration rate | - | - | - | - | (6,499,383) | - | (6,499,383) |
| *Transactions with the owners of the Company :* | | | | | | | |
| Final cash dividend @ Rs. 10.50 per ordinary share for the year ended 30 June 2019 | - | - | - | - | - | (315,000,000) | (315,000,000) |
| Balance as at 30 June 2020 | 300,000,000 | 77,616,000 | 175,000,000 | 927,362,846 | 9,243,287,786 | 9,956,439,891 | 20,679,706,523 |

| | Share capital | Capital reserves: Share premium | Capital reserves: Capital redemption reserve | Capital reserves: Fair value reserve | Capital reserves: Revaluation surplus on property, plant and equipment | Revenue reserve: Un-appropriated profits | Total |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| **Balance as at 30 June 2020** | 300,000,000 | 77,616,000 | 175,000,000 | 927,362,846 | 9,243,287,786 | 9,956,439,891 | 20,679,706,523 |
| ***Total comprehensive income for the year:*** | | | | | | | |
| Profit for the year 30 June 2021 | - | - | - | - | - | 5,431,756,709 | 5,431,756,709 |
| Other comprehensive income for the year | - | - | - | (35,959,631) | 9,198,296,406 | 4,978,807 | 9,167,315,582 |
| | - | - | - | (35,959,631) | 9,198,296,406 | 5,436,735,516 | 14,599,072,291 |
| Surplus transferred to un-appropriated profit on account of incremental depreciation charged during the year - *net of tax* | - | - | - | - | (444,377,651) | 444,377,651 | - |
| Transfer from surplus on revaluation of fixed assets on disposal - *net of tax* | - | - | - | - | (6,218,530) | 6,218,530 | - |
| Effect on deferred tax due to change in proration rate | - | - | - | - | 18,504,445 | - | 18,504,445 |
| ***Transactions with the owners of the Company :*** | | | | | | | |
| Interim cash dividend @ Rs. 20 per ordinary share for the nine months period ended 31 March 2021 | - | - | - | - | - | (600,000,000) | (600,000,000) |
| **Balance as at 30 June 2021** | 300,000,000 | 77,616,000 | 175,000,000 | 891,403,215 | 18,009,492,456 | 15,243,771,588 | 34,697,283,259 |

The annexed notes from 1 to 51 form an integral part of these financial statements.

(MUHAMMAD AZAM)
CHIEF FINANCIAL OFFICER

(REHMAN NASEEM)
CHIEF EXECUTIVE OFFICER

(SHEIKH NASEEM AHMAD)
DIRECTOR

# Statement of Cash Flows

*For the year ended 30 June 2021*

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | **5,562,777,587** | 57,862,005 |
| *Adjustments for:* | | | |
| Depreciation on property, plant and equipment | 17.1.1 | **1,436,002,532** | 1,239,352,068 |
| Unrealized (gain) / loss on re-measurement of short term investment | 34 | **(12,362,400)** | 19,094,400 |
| (Reversal) / allowance for impairment of trade debts | 33 | **(15,778,489)** | 11,394,054 |
| Fair value gain on investment | 18.2.1 | **(216,797,126)** | - |
| Provision for gratuity | 11.1.3 | **123,862,775** | 144,153,602 |
| Provision for infrastructure cess | | **128,510,336** | 109,872,436 |
| Provision for workers' profit participation fund | 12.4 | **296,382,205** | 51,639,012 |
| Provision for workers' welfare fund | 12.5 | **32,914,742** | 12,365,783 |
| Loss on disposal of property, plant and equipment | 33 | **7,821,431** | 10,865,594 |
| Gain on disposal of equity instruments of associate | 34 | **-** | (208,500,525) |
| Dividend income | 34 | **(172,785,078)** | (138,228,062) |
| Notional gain on discounting of long term payable | 34 | **(57,587,839)** | - |
| Share of loss from associates | 35 | **46,877,170** | 884,391,203 |
| Finance income on advance to associate undertaking | 34 | **(271,480,277)** | (320,672,533) |
| Present value adjustment on long term loans - *net of unwinding* | 33 | **299,279,465** | - |
| Loss allowance for the year | 33 | **37,195,975** | - |
| Finance cost | 36 | **1,794,691,668** | 2,944,787,794 |
| **Cash generated from operations before working capital changes** | | **9,019,524,677** | 4,818,376,831 |
| ***Effect on cash flows due to working capital changes*** | | | |
| *(Increase)/ decrease in current assets:* | | | |
| Stores, spares and loose tools | | **(150,934,234)** | 62,323,031 |
| Stock-in-trade | | **(966,559,634)** | (1,470,550,324) |
| Trade debts | | **423,809,724** | 975,330,194 |
| Loans and advances | | **(21,442,487)** | (111,784,010) |
| Deposits, prepayments and other receivables | | **206,781,800** | 47,462,828 |
| | | **(508,344,831)** | (497,218,281) |
| *(Decrease)/ increase in current liabilities:* | | | |
| Trade and other payables | | **956,442,633** | (291,642,879) |
| **Cash generated from operations** | | **9,467,622,479** | 4,029,515,671 |
| Gratuity paid | 11.1.2 | **(121,949,949)** | (100,844,828) |
| Taxes (paid) / refund - *net* | | **(945,818,478)** | 374,745,100 |
| | | **(1,067,768,427)** | 273,900,272 |
| **Net cash generated from operating activities** | | **8,399,854,052** | 4,303,415,943 |
| ***Cash flows from investing activities*** | | | |
| Fixed capital expenditure | | **(1,121,969,126)** | (2,152,350,152) |
| Proceeds from sale of property, plant and equipment | | **17,089,715** | 3,640,800 |
| Proceeds from sale of equity instruments of associate | | **-** | 291,213,490 |
| Long term loan and advances | | **(680,424,000)** | (691,115,448) |
| Long term deposits | | **-** | (57,000) |
| Dividend received | | **311,013,140** | - |
| **Net cash used in investing activities** | | **(1,474,290,271)** | (2,548,668,310) |
| ***Cash flows from financing activities*** | | | |
| Long term financing obtained | | **2,386,340,693** | 3,048,399,042 |
| Long term financing repaid | | **(1,048,683,159)** | (1,449,705,329) |
| Long term musharika obtained | | **-** | 1,000,000,000 |
| Long term musharika repaid | | **(270,258,778)** | (271,197,205) |
| Short term borrowings - *net* | | **(5,530,113,312)** | (762,677,151) |
| Lease rentals paid | | **(8,784,600)** | (7,986,000) |
| Finance cost paid - *net* | | **(2,002,252,150)** | (2,898,616,350) |
| Dividend paid | | **(594,801,852)** | (313,591,658) |
| **Net cash used in financing activities** | | **(7,068,553,158)** | (1,655,374,651) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(142,989,377)** | 99,372,982 |
| **Cash and cash equivalents at beginning of the year** | | **298,849,020** | 199,476,038 |
| **Cash and cash equivalents at end of the year** | 28 | **155,859,643** | 298,849,020 |

The annexed notes from 1 to 51 form an integral part of these financial statements.

| (MUHAMMAD AZAM) | (REHMAN NASEEM) | (SHEIKH NASEEM AHMAD) |
|---|---|---|
| CHIEF FINANCIAL OFFICER | CHIEF EXECUTIVE OFFICER | DIRECTOR |

# Notes to the Financial Statements

*For the year ended 30 June 2021*

## 1 Corporate and general information

### 1.1 Reporting entity

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

***Associated companies*** **:**

| | | |
|---|---|---|
| - Fatima Transmission Company Limited ('FTCL') | 24.00% | Transmission of energy |
| - Fatima Electric Company Limited ('FECL') | 20.00% | Supply, generation and distribution of energy |

**1.2** The Board of Directors (“the Board”) of the Company in their meeting held on 30 October 2018 considered and approved in principle to merge Fazal Weaving Mills Limited (FWML), a wholly owned subsidiary, into the Company in accordance with the scheme of arrangement (“the Scheme”) prepared under the provisions of Section 279 to 283 and 285(8) of the Companies Act, 2017. Accordingly, the Company filed a petition before Lahore High Court (“the Court”) for sanction of the scheme and the Court vide order dated 30 January 2019 directed both the companies to hold Extra-ordinary General meetings (“EOGMs”) of the shareholders to ascertain the wishes of members with reference to the Scheme. The said EOGMs were held on 09 March 2019 and shareholders of the Companies in principle considered and approved the merger. The Court after considering all the facts and circumstances had reserved judgement on hearing held on 21 October 2020 and the sanction order effective from 01 July 2018 (effective date) was released on 13 February 2021 (completion date). Pursuant to this order, the entire business of FWML including its properties, assets, liabilities and rights and obligations have vested into the Company, with effect from effective date.

The scheme of amalgamation / merger is a business combination of entities or business under common control and thereof scoped out of IFRS 3 'Business Combination'. Accordingly, the assets acquired and liabilities assumed / assets and liabilities vested are recognized under the book value basis (predecessor method) of accounting. As FWML was wholly owned subsidiary of the Company acquired on 29 January 2013, the values incorporated in the standalone financial statements of the FWML are considered for the purpose of applying book value / predecessor method. The paid-up share capital appearing in the books of FWML was set-off against the respective investments appearing in the books of the Company.

Each of the assets and liabilities of FWML as per the accounts as on the effective date, formed the assets and / or liabilities of corresponding nature in the books of the Company. Likewise, the unappropriated profits / losses of FWML as on the effective date shall constitute as reserves of a corresponding nature of the Company. As the shares of FWML will be set off against the investments of the Company, therefore all share certificates of FWML shall stand cancelled. The merger does not involve any cash consideration or equity issuance, resultantly no adjustment has been made to net assets or in statement of changes in equity.

As stated above, after the merger the consolidated financial statements are no longer required and status of these financial statements has changed from separate to individual financial statements of the Company. The comparative figures in these financial statements have been restated to reflect adjustments due to merger with effect from 01 July 2018.

Comparative statement of financial position numbers represent the assets and liabilities of FWML merged into the Company as at 30 June 2020, whereas comparative statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity represents the results of FWML merged with the Company's results for the year ended 30 June 2020. Further, adjustment have been made to eliminate intra-group assets, liabilities, equity, income, expenses, cashflows and unrealized gain or losses resulting from intra-group transactions where applicable.

Furthermore, investment in associates which were previously carried at cost in separate financial statements have now been recognized using equity method of accounting. This change in method of recognition of investment, due to change in status of these financial statements, has resulted in decrease in the balance of investments as at 30 June 2020 by Rs.1,104 million (2019: Rs. 427 million) and accumulated losses as at 30 June 2020 by Rs. 1,104 million (2019: Rs. 427 million). Further due to this change, profit after tax for the year ended 30 June 2020 has decreased by Rs. 675 million.

Details of the impact on assets and liabilities, profit or loss and other comprehensive income due to merger are presented below:

**Statement of Financial Position**

| | | As at 30 June 2020 | | |
|---|---|---|---|---|
| | | 30 June 2020 (As previously reported) | Effect due to merger - Increase/ (Decrease) | 30 June 2020 (Restated) |
| **Equity and liabilities** | *Note* | ---------- Rupees ---------- | | |
| ***Share capital and reserves*** | | | | |
| Issued, subscribed and paid up capital | 5 | 300,000,000 | - | 300,000,000 |
| *Capital reserves:* | | | | |
| - Others capital reserves | 6 | 1,179,978,846 | - | 1,179,978,846 |
| - Revaluation surplus on property, plant and equipment | 7 | 8,748,727,025 | 494,560,761 | 9,243,287,786 |
| Unappropriated profits - *revenue reserve* | | 10,613,449,839 | (657,009,948) | 9,956,439,891 |
| | | 20,842,155,710 | (162,449,187) | 20,679,706,523 |
| ***Non current liabilities*** | | | | |
| Long term financing - *secured* | 8 | 10,835,680,457 | 797,289,608 | 11,632,970,065 |
| Long term musharika - *secured* | 9 | 2,622,916,667 | 4,683,969 | 2,627,600,636 |
| Lease liability- *unsecured* | 10 | 71,173,118 | - | 71,173,118 |
| Deferred liabilities: | | | | |
| - *Employee retirement benefits* | 11 | 268,630,086 | 23,136,518 | 291,766,604 |
| - *Deferred Grant* | 8 | 16,981,576 | 2,552,847 | 19,534,423 |
| - *Deferred taxation* | 11 | 3,106,579,895 | 19,185,499 | 3,125,765,394 |
| | | 16,921,961,799 | 846,848,441 | 17,768,810,240 |
| *Current liabilities* | | | | |
| Trade and other payables | 12 | 3,321,848,058 | 63,937,000 | 3,385,785,058 |
| Contract liabilities | | - | 282,735,847 | 282,735,847 |
| Current portion of non-current liabilities | 13 | 888,634,241 | 121,930,657 | 1,010,564,898 |
| Short term borrowings - *secured* | 14 | 9,224,750,985 | 2,312,473,232 | 11,537,224,217 |
| Accrued mark-up | 15 | 451,749,186 | 65,442,064 | 517,191,250 |
| Unclaimed dividend | | 13,748,423 | - | 13,748,423 |
| | | 13,900,730,893 | 2,846,518,800 | 16,747,249,693 |
| | | 51,664,848,402 | 3,530,918,054 | 55,195,766,456 |
| **Assets** | | | | |
| *Non-current assets* | | | | |
| Property, plant and equipment | 17 | 25,112,809,713 | 3,083,893,141 | 28,196,702,854 |
| Long term investments | 18 | 3,520,660,277 | (1,103,732,135) | 2,416,928,142 |
| Long term loans and advances | 19 | 3,263,701,707 | (530,000,000) | 2,733,701,707 |
| Long term deposits | | 24,128,493 | - | 24,128,493 |
| | | 31,921,300,190 | 1,450,161,006 | 33,371,461,196 |

| | Note | As at 30 June 2020 | | |
|---|---|---|---|---|
| | | 30 June 2020 (As previously reported) | Effect due to merger - Increase/ (Decrease) | 30 June 2020 (Restated) |
| | | - - - - - - - - - - - - - - - - Rupees - - - - - - - - - - - - - - | | |
| *Current assets* | | | | |
| Stores, spare parts and loose tools | *20* | 644,609,994 | 54,828,455 | 699,438,449 |
| Stock in trade | *21* | 11,843,911,463 | 2,659,931,179 | 14,503,842,642 |
| Trade debts | *22* | 4,827,172,241 | 318,408,606 | 5,145,580,847 |
| Loans and advances | *23* | 1,176,505,729 | (971,975,555) | 204,530,174 |
| Deposits and prepayments and other receivables | *24* | 445,172,969 | 20,261,791 | 465,434,760 |
| Mark-up accrued | *25* | 133,343,071 | (104,004,415) | 29,338,656 |
| Short term investment | *26* | 163,587,600 | - | 163,587,600 |
| Tax refunds due from the Government - *net* | *27* | 259,643,956 | 54,059,156 | 313,703,112 |
| Cash and bank balances | *28* | 249,601,189 | 49,247,831 | 298,849,020 |
| | | 19,743,548,212 | 2,080,757,048 | 21,824,305,260 |
| | | 51,664,848,402 | 3,530,918,054 | 55,195,766,456 |

**Statement of Financial Position**

| | Note | As at 30 June 2019 | | |
|---|---|---|---|---|
| | | 30 June 2019 (As previously reported) | Effect due to merger - Increase/ (Decrease) | 30 June 2019 (Restated) |
| **Equity and liabilities** | | - - - - - - - - - - - - - - - - Rupees - - - - - - - - - - - - - - | | |
| ***Share capital and reserves*** | | | | |
| Issued, subscribed and paid up capital | *5* | 300,000,000 | - | 300,000,000 |
| *Capital reserves:* | | | | |
| - Others capital reserves | *6* | 1,373,543,815 | - | 1,373,543,815 |
| - Revaluation surplus on property, plant and equipment | *7* | 9,038,995,462 | 519,614,345 | 9,558,609,807 |
| Unappropriated profits - *revenue reserve* | | 10,217,558,059 | 289,200,963 | 10,506,759,022 |
| | | 20,930,097,336 | 808,815,308 | 21,738,912,644 |
| ***Non current liabilities*** | | | | |
| Long term financing - *secured* | *8* | 7,984,533,368 | 770,753,494 | 8,755,286,862 |
| Long term musharika - *secured* | *9* | 1,685,416,667 | 4,683,969 | 1,690,100,636 |
| Deferred liabilities: | | | | |
| - *Employee retirement benefits* | *11* | 255,329,914 | 18,482,201 | 273,812,115 |
| - *Deferred Grant* | *8* | - | - | - |
| - *Deferred taxation* | *11* | 3,022,411,367 | 16,799,792 | 3,039,211,159 |
| | | 12,947,691,316 | 810,719,456 | 13,758,410,772 |

| | Note | As at 30 June 2019 | | |
|---|---|---|---|---|
| | | 30 June 2019 (As previously reported) | Effect due to merger - Increase/ (Decrease) | 30 June 2019 (Restated) |
| | | Rupees | | |
| ***Current liabilities*** | | | | |
| Trade and other payables | 12 | 3,326,593,203 | 384,783,917 | 3,711,377,120 |
| Contract liabilities | | - | 74,909,433 | 74,909,433 |
| Current portion of non-current liabilities | 13 | 2,142,163,428 | 375,622,588 | 2,517,786,016 |
| Short term borrowings - *secured* | 14 | 9,910,552,807 | 2,389,348,561 | 12,299,901,368 |
| Accrued mark-up | 15 | 406,891,427 | 74,364,530 | 481,255,957 |
| Unclaimed dividend | | 12,340,081 | - | 12,340,081 |
| | | 15,798,540,946 | 3,299,029,029 | 19,097,569,975 |
| | | 49,676,329,598 | 4,918,563,793 | 54,594,893,391 |
| **Assets** | | | | |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 17 | 24,000,031,655 | 3,229,256,542 | 27,229,288,197 |
| Long term investments | 18 | 3,590,236,962 | (427,841,457) | 3,162,395,505 |
| Long term loans and advances | 19 | 2,435,124,267 | (530,000,000) | 1,905,124,267 |
| Long term deposits | | 24,071,493 | - | 24,071,493 |
| | | 30,049,464,377 | 2,271,415,085 | 32,320,879,462 |
| ***Current assets*** | | | | |
| Stores, spare parts and loose tools | 20 | 665,347,135 | 96,414,345 | 761,761,480 |
| Stock in trade | 21 | 10,942,040,120 | 2,091,252,198 | 13,033,292,318 |
| Trade debts | 22 | 5,432,387,658 | 699,917,437 | 6,132,305,095 |
| Loans and advances | 23 | 567,894,315 | (475,148,151) | 92,746,164 |
| Deposits and prepayments | | | - | |
| and other receivables | 24 | 352,249,486 | 22,420,040 | 374,669,526 |
| Mark-up accrued | 25 | 293,102,880 | (31,772,990) | 261,329,890 |
| Short term investment | 26 | 182,682,000 | - | 182,682,000 |
| Tax refunds due from the | | | | |
| Government - *net* | 27 | 1,030,595,127 | 205,156,291 | 1,235,751,418 |
| Cash and bank balances | 28 | 160,566,500 | 38,909,538 | 199,476,038 |
| | | 19,626,865,221 | 2,647,148,708 | 22,274,013,929 |
| | | 49,676,329,598 | 4,918,563,793 | 54,594,893,391 |

**Statement of Profit or Loss**

| | Note | For the year ended 30 June 2020 | | |
|---|---|---|---|---|
| | | **30 June 2020 (As previously reported)** | **Effect due to merger - Increase/ (Decrease)** | **30 June 2020 (Restated)** |
| | | ---------- Rupees ---------- | | |
| Revenue from contracts with customers - *net* | *29* | 34,416,031,375 | 5,297,703,561 | 39,713,734,936 |
| Cost of sales | *30* | (30,314,620,441) | (4,837,880,898) | (35,152,501,339) |
| **Gross profit** | | 4,101,410,934 | 459,822,663 | 4,561,233,597 |
| Marketing and distribution expenses | *31* | (324,516,706) | (57,825,296) | (382,342,002) |
| Administrative and general expenses | *32* | (306,525,674) | (39,478,007) | (346,003,681) |
| Other operating expenses | *33* | (496,640,355) | (134,132,476) | (630,772,831) |
| | | (1,127,682,735) | (231,435,779) | (1,359,118,514) |
| Gain on disposal of equity instruments of associate | | - | 208,500,525 | 208,500,525 |
| Other income | *34* | 547,320,365 | (70,894,971) | 476,425,394 |
| **Profit from operations** | | 3,521,048,564 | 365,992,438 | 3,887,041,002 |
| Share of loss from associates - *net* | *35* | - | (884,391,203) | (884,391,203) |
| Finance cost | *36* | (2,558,313,125) | (386,474,669) | (2,944,787,794) |
| **Profit before taxation** | | 962,735,439 | (904,873,434) | 57,862,005 |
| Taxation | *37* | (562,017,714) | (65,340,345) | (627,358,059) |
| **Profit / (loss) after taxation** | | 400,717,725 | (970,213,779) | (569,496,054) |
| **Earnings / (loss) per share - basic and diluted** | | 13.36 | (32.34) | (18.98) |
| ***Statement of comprehensive income*** | | | | |
| **Profit / (loss) after taxation** | | 400,717,725 | (970,213,779) | (569,496,054) |
| *Other comprehensive loss - net of tax* | | (167,680,616) | (530,068) | (168,210,684) |
| **Total comprehensive income / (loss) for the year** | | 233,037,109 | (970,743,847) | (737,706,738) |

**1.3 Impact of COVID-19 on the financial statements**

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. As per relaxation given by the authorities to export oriented entities, the Company continued its operations uninterrupted during the year with all precautionary measures to prevent the pandemic spread. There is no material financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses.

However, pursuant to relaxation announced by the State Bank of Pakistan in view of this pandemic, the Company had availed deferments of principal repayments of certain long term loans and availed financing facility for payment of salaries and loans as explained in note 8.3 and 8.4 to these financial statements.

Based on management's assessment, considering demand from its customers, availability of raw material and measures taken by Government to support the industry, COVID-19 does not have a significant impact on the Company.

## 2 Basis of preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act 2017;
- Islamic Financial Accounting Standards ('IFAS') issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgments

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

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

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

**2.4.1 Property, plant and equipment**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**2.4.6 Provisions and Contingencies**

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

**2.4.7 Employee benefits**

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

### 2.4.8 Taxation

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

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

### 2.4.9 Fair Value of investments

The Company regularly reviews the fair value of investments, the estimate of fair values are directly linked to market value. Any change in estimate will effect the carrying value of investments with the corresponding impact on statement of profit of loss except for equity investments at fair value through OCI which are directly charged to statement of comprehensive income.

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 01 January 2021, with earlier application permitted.

  The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform.

  The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 01 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees.

  Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

  The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

  Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
  - there is no substantive change to the other terms and conditions of the lease.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 01 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

  The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01 January 2022.

Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

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

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

  The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 01 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and

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

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

## 4 Significant accounting policies

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

### 4.1 Property, plant and equipment

***Owned***

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

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

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

Capitalization threshold for 'buliding', 'office equipment', electric appliances and furniture and fixiture is Rs. 200,000, Rs. 10,000, Rs. 5,000 and Rs. 5,000 respectively, items below this are directly reconginsed as current expneses in the year of purchase.

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

Depreciation is charged on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the economic benefits are consumed by the Company, at the rates specified in note 17.1. Depreciation on additions is charged full in the month of the asset is available for use and nil in the month the asset is disposed off.

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

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

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2021 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

### 4.3 Lease

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

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

In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. Right of use asset is disclosed in the property, plant and equipment as referred to in 17.1 of the financial statements.

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

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

***Short term leases and leases of low value assets***

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

***Sale and lease back***

Where the sale and lease back transactions result in a lease liability, any excess of sale proceeds over the carrying amount is deferred and amortized over the lease term. However, sale proceeds less than the carrying value is immediately recognized in the statement of profit or loss.

**4.4 Intangible assets**

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

**4.5 Borrowings cost**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

**4.6 Taxation**

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

***Current***

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

***Deferred***

Deferred tax is recognized using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company recognizes deferred tax asset/ liability on deficit/ surplus on revaluation of property, plant and equipment which is adjusted against the related deficit/ surplus.

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

**4.7 Foreign currency**

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

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

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

**4.8 Employee retirement benefits**

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount. Calculation of defined benefit obligation is performed annually by a qualified actuary using the 'Projected Unit Credit Method'.

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

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

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

**4.9 Provisions**

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

**4.10 Contingent liabilities**

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**4.11 Financial instruments**

**4.11.1 Recognition and initial measurement**

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

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

**4.11.2 Classification and subsequent measurement**

***Financial assets***

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

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

***Amortized cost***

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

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

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

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

***Debt Instrument - FVOCI***

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

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

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

***Equity Instrument - FVOCI***

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

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

Financial assets measured at FVOCI comprise of long term investments in equity instruments as detailed in note 18 of these financial statements.

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

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

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

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

Financial asset measured at FVTPL comprise of short term investments in equity instruments as detailed in note 26 of these financial statements.

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

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

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

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

***Financial liabilities***

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

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

**4.11.3 Derecognition**

***Financial assets***

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

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

***Financial liabilities***

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

**4.11.4 Impairment**

***Financial assets***

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month

ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

***Non-financial assets***

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

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

**4.11.5 Offsetting of financial instruments**

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

**4.12 Investments in associates**

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

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

The carrying amount of equity accounting investments is tested for impairment in accordance with policy described in note 4.11.4.

**4.13 Stores, spares and loose tools**

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

**4.14 Stock-in-trade**

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

Cost has been determined as follows:

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

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

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

**4.15 Revenue recognition**

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

**4.16 Other Income**

Other income comprises dividend income, exchange gain, markup accrued and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

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

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

**4.17 Government grants**

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant. The amount of grant shall be recognized and presented in the statement of financial position as 'deferred grant'. In subsequent periods, the loan amount is accreted using the effective interest method.

The accreditation increases the carrying value of the loan with a corresponding effect on the interest expense for the year in the statement of profit or loss. The grant is recognized in statement of profit or loss, in line with the recognition of interest expenses the grant is compensating.

**4.18 Cash and cash equivalents**

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand and cash at banks.

**4.19 Contract liabilities**

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

**4.20 Operating segment**

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

**4.21 Earnings per share ('EPS')**

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

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

**4.22 Dividend distribution**

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

## 5 Issued, subscribed and paid-up capital

| | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| | - - - - (Number of shares) - - - - | | - - - - - - - (Rupees) - - - - - - - | |
| Ordinary shares of Rs. 10 each fully paid in cash | **1,000,000** | 1,000,000 | **10,000,000** | 10,000,000 |
| Ordinary shares of Rs. 10 each fully paid as right shares | **9,187,200** | 9,187,200 | **91,872,000** | 91,872,000 |
| Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **19,812,800** | 19,812,800 | **198,128,000** | 198,128,000 |
| | **30,000,000** | 30,000,000 | **300,000,000** | 300,000,000 |

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

| | 2021 | 2020 | 2021 | 2020 |
|---|---|---|---|---|
| | ------(Number of shares)--------- | | ---(Percentage of holding)--- | |
| Fazal Holdings (Private) Limited | **7,346,541** | 7,346,541 | **24.49** | 24.49 |
| Mr. Rehman Naseem | **3,101,320** | 3,101,320 | **10.34** | 10.34 |
| Mr. Fawad Ahmed Mukhtar | **2,415,422** | 2,415,422 | **8.05** | 8.05 |
| Mr. Fazal Ahmed Sheikh | **2,041,611** | 2,041,611 | **6.81** | 6.81 |
| Mr. Faisal Ahmed Mukhtar | **2,039,865** | 2,039,865 | **6.80** | 6.80 |
| Mr. Abdullah Amir Fazal | **1,414,139** | 1,421,639 | **4.71** | 4.74 |
| Mr. Muhammad Yousaf Amir S/O Amir Naseem Sheikh | **1,421,643** | 1,421,638 | **4.74** | 4.74 |
| Mr. Asad Muhammad Sheikh S/O Fazal Ahmed Sheikh | **1,012,970** | 1,012,970 | **3.38** | 3.38 |
| Mr. Muhammad Mukhtar Sheikh S/O Fazal Ahmed Sheikh | **1,012,969** | 1,012,969 | **3.38** | 3.38 |
| Mr. Muhammad Fazeel Mukhtar S/O Faisal Ahmed Mukhtar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Ibrahim Mukhtar S/O Faisal Ahmed Mukhtar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Mohid Muhammad Ahmed S/O Faisal Ahmed Mukhtar | **675,895** | 675,895 | **2.25** | 2.25 |
| Mr. Fahad Mukhtar | **579,715** | 579,715 | **1.93** | 1.93 |
| Mr. Ali Mukhtar S/O Fawad Ahmed Mukhtar | **536,207** | 536,207 | **1.79** | 1.79 |
| Mr. Abbas Mukhtar S/O Fawad Ahmed Mukhtar | **536,206** | 536,206 | **1.79** | 1.79 |
| Fatima Trading Company (Private) Ltd | **392,283** | - | **1.31** | - |
| Fatima Trade Company Limited | **392,282** | - | **1.31** | - |
| Fatima Management Company Limited | **392,282** | - | **1.31** | - |
| Mr. Amir Naseem Sheikh | **82,828** | 82,828 | **0.28** | 0.28 |
| Mr. Sheikh Naseem Ahmad | **8,820** | 8,820 | **0.03** | 0.03 |
| Mrs. Mahnaz Amir Sheikh | **4,447** | 4,447 | **0.01** | 0.01 |
| Ms. Perveen Akhter Malik | **2,501** | 1 | **0.01** | - |
| Mr. Masood Karim Sheikh | **2,501** | 1 | **0.01** | - |
| Mr. Babar Ali | **2,501** | 1 | **0.01** | - |
| Reliance Commodities (Private) Limited | **500** | 500 | **0.002** | 0.002 |
| Fatima Holding Limited | **5** | 1,176,847 | **0.00002** | 3.92 |

| | | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|---|
| 6 | **Other capital reserves** | | | |
| | ***Share premium*** | | | |
| | Issue of 3,168,000 ordinary shares of Rs. 10 each at premium of Rs. 20 per share issued during the year 2001 | | **63,360,000** | 63,360,000 |
| | Issue of 2,851,200 ordinary shares of Rs. 10 each at premium of Rs. 5 per share issued during the year 2002 | | **14,256,000** | 14,256,000 |
| | | *6.1* | **77,616,000** | 77,616,000 |
| | Capital redemption reserve | *6.2* | **175,000,000** | 175,000,000 |
| | Fair value reserve | *6.3* | **891,403,215** | 927,362,846 |
| | | | **1,144,019,215** | 1,179,978,846 |

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

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

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

| | | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| 7 | **Revaluation surplus on property, plant and equipment -** ***net*** | | |
| | ***Gross surplus*** | | |
| | Balance at 01 July | **10,575,362,962** | 10,954,914,891 |
| | Revaluation surplus arised during the year - *net of deferred tax* | **9,198,296,406** | - |
| | Related deferred tax liability | **1,360,153,650** | - |
| | | **10,558,450,056** | - |
| | Effect of disposal of operating fixed assets during the year - net of deferred tax | **(6,218,530)** | (5,327,737) |
| | Related deferred tax liability | **(1,399,984)** | (1,220,205) |
| | | **(7,618,514)** | (6,547,942) |
| | Transferred to unappropriated profits in respect of incremental depreciation charge during the year - net of deferred tax | **(444,377,651)** | (303,494,901) |
| | Related deferred tax liability | **(100,043,205)** | (69,509,086) |
| | | **(544,420,856)** | (373,003,987) |
| | Balance at 30 June | **20,581,773,648** | 10,575,362,962 |

| | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|
| ***Deferred tax liability on revaluation surplus*** | | |
| Balance at 01 July | **1,332,075,176** | 1,396,305,084 |
| Related deferred tax liability: | | |
| - property, plant and equipment | **1,360,153,650** | - |
| - Effect of disposal of operating fixed assets during the year | **(1,399,984)** | (1,220,205) |
| - Transferred to unappropriated profits on account of incremental depreciation charge during the year | **(100,043,205)** | (69,509,086) |
| | **1,258,710,461** | (70,729,291) |
| Effect of change in proration rate | **(18,504,445)** | 6,499,383 |
| Balance at 30 June | **2,572,281,192** | 1,332,075,176 |
| Revaluation surplus on property, plant and equipment - net of deferred tax | **18,009,492,456** | 9,243,287,786 |

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

***Freehold land***

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

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

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

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

Plant and machinery and other fixed assets have been evaluated/ assessed by inspecting items of plant and machinery and fixed assets. The valuer also consulted industry related dealers, indentors and/ or manufactures in order to ascertain the current replacement values of imported and locally fabricated items. The value assigned reflects the present condition of items while considering age, condition and/ or obsolescence of the items.

**8 Long term financing - *secured***

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| Long term financing: | | | |
| - banking companies | *8.1* | **12,086,301,475** | 10,660,310,608 |
| - other financial institutions | *8.2* | **1,644,166,667** | 1,732,500,000 |
| | | **13,730,468,142** | 12,392,810,608 |
| Deferred grant | | **(38,761,145)** | (35,534,992) |
| Current portion of long term financing | *13* | **(2,867,193,269)** | (724,305,551) |
| | | **10,824,513,728** | 11,632,970,065 |

**8.1 Banking companies:**

| Lender | 2021 | 2020 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | Rupees | | | | |
| **Askari Bank Limited** | | | | | |
| - Term finance - TF | **266,666,667** | 266,666,667 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in eight equal half yearly instalments ending on 21 February 2025. | 1st joint pari passu charge/ mortgage of Rs. 2,064.834 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Term finance - TF | **500,000,000** | 500,000,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in twelve equal half yearly instalments beginning on 26 May 2022. | |
| - Term finance - TF | **67,089,781** | 35,796,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in twelve equal half yearly instalments beginning on 22 December 2022. | |
| - Term finance under SBP's LTFF scheme | **53,627,242** | - | SBP Rate + 1.00% (fixed rate) | | |
| - Term finance - TF | **8,318,105** | 9,506,406 | 6 Months KIBOR + 1.00% | Balance principal is payable in seven equal half yearly instalments ending on 09 November 2024. | |
| - Term finance under SBP's LTFF scheme | **123,826,926** | 123,826,926 | SBP Rate + 1.00% (fixed rate) | Balance principal is payable in eight equal half yearly instalments ending on 13 January 2025. | |
| | **1,019,528,721** | 935,795,999 | | | |
| **Soneri Bank Limited** | | | | | |
| - Term finance - TF | **500,000,000** | - | 6 Months KIBOR + 1.00% | Principal amount is payable in ten equal half yearly instalments beginning on 01 October 2023. | 1st joint pari passu charge/ mortgage of Rs. 860 million over all present and future fixed assets & ranking charge of Rs. 667 million on plant & machinery of the Company and personal guarantees of the sponsoring directors of the Company. Ranking charge will be upgraded to 1st pari passu charge within deferral time period. |
| - Term finance - TF | **40,000,000** | 60,000,000 | 3 Months KIBOR + 1.00% | Balance principal amount is payable in two equal quarterly instalments ending on 15 October 2021. | |
| - Term finance under SBP's LTFF scheme | **492,111,404** | 492,111,404 | SBP rate + 1.10% (fixed rate) | Principal amount is payable in thirty two equal quarterly instalments beginning on 20 September 2021. | |
| | **1,032,111,404** | 552,111,404 | | | |

| Lender | 2021 | 2020 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Habib Bank Limited** | | | | | |
| - Demand finance under SBP's LTFF Scheme | **348,096,923** | 374,873,610 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in thirteen equal half yearly instalments ending on 29 September 2027. | 1st joint pari passu charge/ mortgage of Rs. 564 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| | **348,096,923** | 374,873,610 | | | |
| **National Bank of Pakistan** | | | | | |
| - Demand finance - VII | **86,592,069** | 101,024,080 | 6 Months KIBOR + 1.25% | Balance principal amount is payable in six equal quarterly instalments ending on 03 December 2022. | 1st joint pari passu charge/ mortgage of Rs.3,577 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| - Demand finance - VII under SBP's LTFF Scheme | **43,468,842** | 50,713,648 | SBP rate + 1.25% (fixed rate) | Balance principal amount is payable in six equal quarterly instalments ending on 03 December 2022. | |
| - Demand finance - IX under SBPs' LTFF Scheme | **900,000,000** | 900,000,000 | SBP rate + 0.60% (fixed rate) | Principal amount is payable in thirty six equal quarterly instalments beginning on 08 July 2021. | |
| - Demand finance - X | **11,057,200** | - | 6 Months KIBOR + 1.00% | Principal amount is payable in sixteen equal half yearly instalments beginning on 23 August 2023. | |
| - Demand finance - X under SBP's LTFF Scheme | **209,316,800** | - | SBP rate + 0.80% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 23 August 2023. | |
| | **1,250,434,911** | 1,051,737,728 | | | |
| **United Bank Limited** | | | | | |
| - Demand finance - II under SBP's LTFF Scheme | **634,908,582** | 750,346,496 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in eleven equal half yearly instalments ending on 31 December 2026. | 1st joint pari passu charge/ mortgage of Rs. 1,769.67 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Demand finance - III | **187,500,000** | 225,000,000 | 6 Months KIBOR + 1.10% | Balance principal amount is payable in five equal half yearly instalments ending on 30 November 2023. | |
| - Term loan | **1,817,204** | 2,271,504 | 6 Months KIBOR + 1.00% | Balance principal is payable in four equal half yearly instalments ending on 04 June 2023. | |
| - Term loan under SBP's LTFF Scheme | **77,416,498** | 77,416,498 | SBP rate + 1.00% (fixed rate) | Balance principal is payable in five equal half yearly instalments ending on 04 June 2023. | |
| | **901,642,284** | 1,055,034,498 | | | |
| **MCB Bank Limited** | | | | | |
| - Term finance | **80,000,000** | 160,000,000 | 3 Months KIBOR + 0.60% | Last instalment of principal amount will be paid on 31 October 2021. | 1st joint pari passu charge/ mortgage of Rs. 1,337 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Demand finance | **137,499,750** | 183,333,000 | 6 Months KIBOR + 1.25% | Balance principal is payable in three equal half yearly instalments ending on 31 December 2022. | |
| | **217,499,750** | 343,333,000 | | | |

| Lender | 2021 | 2020 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | Rupees | | | | |
| **Allied Bank Limited** | | | | | |
| - Term loan - V | **36,405,198** | 36,405,198 | 6 Months KIBOR + 0.90% | Balance principal amount is payable in two equal half yearly instalments ending on 26 February 2022. | 1st joint pari passu charge/ mortgage of Rs. 5,784.334 million on all present and future fixed assets of the Company and personal guarantees of sponsoring directors of the Company. |
| - Term loan - VI | **124,999,997** | 124,999,997 | 6 Months KIBOR + 0.90% | Balance principal amount is payable in three equal half yearly instalments ending on 06 August 2022. | |
| - Term loan - VII | **387,299,485** | 387,299,485 | 6 Months KIBOR + 0.65% | Balance principal amount is payable in fourteen equal half yearly instalments ending on 02 March 2028. | |
| - Term loan - VII under SBP's LTFF Scheme | **332,850,654** | 332,850,654 | SBP Rate+0.50% (fixed rate) | Balance principal is payable in fifteen equal half yearly instalments ending on 02 September 2028. | |
| - Term loan -VIII under SBP's LTFF scheme | **689,994,325** | 689,994,325 | SBP rate + 0.50% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 04 July 2021. | |
| - Term loan -IX under SBP's LTFF scheme | **498,134,914** | 498,134,914 | SBP rate + 0.75% (fixed rate) | Principal amount is payable is sixteen equal half yearly instalments beginning on 27 September 2021. | |
| - Term loan -X | **37,729,102** | 152,777,393 | 6 Months KIBOR + 0.75% | Principal amount is payable in eighteen equal half yearly instalments ending on 25 March 2030. | |
| -Tern loan under SBP's renewable energy scheme | **140,840,466** | - | SBP rate + 0.75% (fixed rate) | Balance amount is payable in eighteen equal half yearly instalments ending on 25 March 2030. | |
| - Term loan -XI under SBP's LTFF (Salaries & Wages) scheme - *Note 8.4* | **504,178,916** | 276,546,274 | 1.50% fixed rate | Balance amount is payable in five equal quarterly instalments ending on 01 October 2022. | |
| Less: deferred grant | **(33,849,197)** | (30,891,117) | | | |
| - Term finance - I | **175,000,003** | 233,333,336 | 6 Months KIBOR + 1.05% | Balance principal is payable in three equal half yearly instalments ending on 08 October 2022. | |
| - Term finance - II | **100,000,000** | 100,000,000 | 6 Months KIBOR + 1.25% | Balance principal is payable in eight equal half yearly instalments ending on 12 October 2024. | |
| - Term finance - II under SBP's LTFF Scheme | **100,000,000** | 100,000,000 | SBP Rate + 1.25% (fixed rate) | | |
| - Term finance - III under SBP's LTFF Scheme | **46,875,000** | 50,000,000 | SBP Rate + 1.00% (fixed rate) | Balance is payable in fifteen equal half yearly instalments ending on 11 December 2028. | |
| - Term loan - under SBP's LTFF (Salaries & Wages) scheme - *Note 8.4* | **73,162,767** | 41,573,330 | 1.50% fixed rate | Balance is payable in five equal quarterly instalments ending on 01 October 2022. | |
| Less: deferred grant | **(4,911,948)** | (4,643,875) | | | |
| | **3,208,709,682** | 2,988,379,914 | | | |
| **The Bank of Khyber** | | | | | |
| - Term finance | **34,866,812** | 34,866,812 | 6 Months KIBOR + 0.75% | Last instalment of principal amount is payable on 25 July 2021. | 1st joint pari passu charge/ mortgage of Rs. 1,282 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Demand finance - II | **37,500,000** | 75,000,000 | 6 Months KIBOR + 0.75% | Last instalment of principal amount is payable on 15 October 2021. | |
| - Demand Finance under SBP's LTFF scheme | **350,000,000** | 350,000,000 | SBP rate + 0.60% (fixed rate) | Principal amount is payable in ten equal half yearly instalments beginning on 27 February 2022. | |
| | **422,366,812** | 459,866,812 | | | |

| Lender | 2021 | 2020 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | |
| **The Bank of Punjab** | | | | | |
| - Term finance | **62,400,532** | 83,200,710 | 6 Months KIBOR + 0.85% | Balance principal amount is payable in three equal half yearly ending on 30 September 2022. | 1st joint pari passu charge/ mortgage of Rs. 4,251 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance under SBP's LTFF Scheme | **437,500,002** | 437,500,002 | SBP rate + 0.50% (fixed rate) | Balance principal amount is payable in fourteen equal half yearly instalments ending on 05 December 2027. | |
| - Term finance | **550,000,000** | 600,000,000 | 6 Months KIBOR + 0.75% | Balance principal amount is payable in eleven equal half yearly instalments ending on 25 October 2026 . | |
| - Term finance under SBP's LTFF Scheme | **468,668,689** | 499,913,265 | SBP rate + 0.75% (fixed rate) | Balance principal amount is payable in fifteen equal half yearly instalments ending on 12 October 2028. | |
| - Term finance | **-** | 247,343,093 | 6 Months KIBOR + 1.50% | Entire amount of loan transferred to SBP's LTFF during the year. | |
| - Term finance under SBP's LTFF Scheme | **489,916,801** | 45,685,581 | SBP rate + 1.50% (fixed rate) | Principal amount is payable in sixteen equal half yearly instalments beginning on 27 June 2022. | |
| - Term finance | **13,502,819** | - | 6 Months KIBOR + 1.75% | Principal amount is payable in sixteen equal half yearly instalments beginning on 24 December 2023. | |
| | **2,021,988,843** | **1,913,642,651** | | | |
| **Standard Chartered Bank (Pakistan) Ltd** | | | | | |
| - Term finance | **168,750,000** | 225,000,000 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in three equal half yearly instalments ending on 06 October 2022. | 1st joint pari passu charge/ mortgage of Rs. 427 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **JS Bank Limited** | | | | | |
| - Term finance | **225,000,000** | 225,000,000 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in six equal half yearly instalments ending on 24 January 2024. | 1st joint pari passu charge/ mortgage of Rs. 437 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **Bank Al Habib Limited** | | | | | |
| - Term finance | **500,000,000** | 500,000,000 | 6 Months KIBOR + 1.00% | Principal amount is payable in ten equal half yearly instalments beginning on 17 July 2021. | 1st joint pari passu charge/ mortgage of Rs. 1,134 million on all present and future fixed assets of the Company. |
| - Term finance | **31,411,000** | - | 6 Months KIBOR + 2.00% | Principal amount is payable in sixteen equal half yearly instalments beginning on 16 December 2023. | |
| | **531,411,000** | **500,000,000** | | | |
| **Bank Alfalah Limited** | | | | | |
| - Term finance | **700,000,000** | - | 6 Months KIBOR + 1.50% | Principal amount is payable in ten equal half yearly instalments beginning on 03 May 2023. | 1st joint pari passu charge/ mortgage of Rs. 1,000 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| | **12,047,540,330** | **10,624,775,616** | | | |

| Lender | 2021 | 2020 | Rate of mark up per annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **8.2 Other financial institutions:** | | | | | |
| **Pak Brunei Investment Company Limited** | | | | | |
| - Term finance | **125,000,000** | 125,000,000 | 3 Months KIBOR + 0.90% | Balance principal amount is payable in four equal half yearly instalments ending on 23 January 2023. | 1st joint pari passu charge/ mortgage of Rs. 170.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **Pak Oman Investment Company Limited** | | | | | |
| - Term finance | **37,500,000** | 62,500,000 | 6 Months KIBOR + 0.90% | Balance principal amount is payable in three equal quarterly instalments ending on 26 March 2022. | 1st joint pari passu charge/ mortgage of Rs. 1,746.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Term finance | **227,500,000** | 245,000,000 | 3 Months KIBOR + 0.90% | Balance principal amount is payable in thirteen equal quarterly instalments ending on 23 September 2024. | |
| - Term finance | **475,000,000** | 500,000,000 | 6 Months KIBOR + 0.90% | Balance amount is payable in nineteen equal quarterly instalments ending on 24 January 2026. | |
| - Term finance | **479,166,667** | 500,000,000 | 3 Months KIBOR + 2.00% | Balance amount is payable in twenty three equal quarterly instalments ending on 09 March 2027. | |
| | **1,219,166,667** | 1,307,500,000 | | | |
| **Saudi Pak Industrial & Agricultural Investment Co. Ltd** | | | | | |
| - Term finance | **300,000,000** | 300,000,000 | 6 Months KIBOR + 2.25% | Principal amount is payable in twelve equal half yearly instalments beginning on 21 July 2021. | 1st joint pari passu charge/ mortgage of Rs. 1,067.00 million on all present and future fixed assets of the Company. |
| | **1,644,166,667** | 1,732,500,000 | | | |

**8.3** State Bank of Pakistan introduced 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions had deferred repayment of principal loans by one year, provided that the Company continues to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period. The deferment period ended in March 2021.

**8.4** State Bank of Pakistan introduced 'Refinance Scheme for payment of wages and salaries (RFWS Scheme)' to support the companies in payment of salaries during COVID-19 pandemic. Under this scheme, the Company has availed financing of Rs. 923.75 million, from a commercial bank at a subsidized rate of 1.5% per annum. This facility has been recognized at fair value under IFRS-9 using an effective rate of interest of 8.35% per annum, difference being recorded as deferred grant in accordance with IAS 20. In accordance with the terms of the grant, the Company is prohibited to lay-off the employees at least for six months from the period of the grant. Government grant amounting to Rs. 38.76 million has been recorded in the financial statements.

**8.5** As per the financing document, the Company is required to comply with certain financial covenants which mainly include current ratio, minimum debt service coverage ratio, minimum interest coverage ratio, gearing ratio and maximum leverage ratio.

## 9 Long term musharika - *secured*

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| ***Islamic mode of financing*** | | | |
| Long term musharika - banking companies | *9.1* | **2,627,600,636** | 2,897,859,414 |
| Current portion of long term musharika | | **(763,539,316)** | (270,258,778) |
| | | **1,864,061,320** | 2,627,600,636 |

**9.1 Banking companies:**

| Lender | 2021 | 2020 | Rate of profit per Annum | Tenure and basis of principal repayments | Security |
|---|---|---|---|---|---|
| | ---------------Rupees--------------- | | | | |
| **Meezan Bank Limited** | | | | | |
| - Diminishing musharika | **437,500,000** | 500,000,000 | 6 Months KIBOR + 1.25% | Balance principal amount is payable in seven equal half yearly instalments ending on 28 November 2024. | 1st joint pari passu charge/ mortgage of Rs. 667.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Diminishing musharika | **4,683,969** | 5,196,081 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in three equal half yearly instalments ending on 30 October 2022. | |
| | **442,183,969** | 505,196,081 | | | |
| **Dubai Islamic Bank Pakistan Limited** | | | | | |
| - Diminishing musharika | **150,000,000** | 200,000,000 | 6 Months KIBOR + 1.00% | Balance principal amount is payable in three equal half yearly instalments, ending on 07 October 2022. | 1st joint pari passu charge/ mortgage of Rs. 1,736.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| - Diminishing musharika | **525,000,000** | 598,913,333 | 6 Months KIBOR + 2.00% | Balance principal amount is payable in seven equal half yearly instalments ending on 01 October 2024. | |
| - Diminishing musharika | **500,000,000** | 500,000,000 | 3 Months KIBOR + 1.50% | Principal amount is payable in twenty equal quarterly instalments beginning on 06 December 2021. | |
| | **1,175,000,000** | 1,298,913,333 | | | |
| **Standard Chartered Bank (Pakistan) Limited** | | | | | |
| - Diminishing musharika | **93,750,000** | 93,750,000 | 6 Months KIBOR + 1.00% | Last instalment of principal amount is payable on 27 August 2021. | 1st joint pari passu charge/ mortgage of Rs. 427.00 million on all present and future fixed assets of the Company and personal guarantees of the sponsoring directors. |
| **Faysal Bank Limited** | | | | | |
| - Diminishing musharika | **416,666,667** | 500,000,000 | 3 Months KIBOR + 0.75% | Balance amount is payable in five equal half yearly instalments ending on 06 December 2023. | 1st joint pari passu charge/ mortgage of Rs. 667.00 million over all present and future fixed assets of the Company and personal guarantees of the sponsoring directors of the Company. |
| **National Bank of Pakistan** | | | | | |
| - Diminishing musharika | **500,000,000** | 500,000,000 | 6 Months KIBOR + 0.85% | Principal amount is payable in ten equal half yearly instalments beginning on 02 January 2022. | 1st joint pari passu charge/ mortgage of Rs. 3,577.00 million over all present and future fixed assets of the Company. |
| | **2,627,600,636** | 2,897,859,414 | | | |

**9.2** State Bank of Pakistan introduced 'Regulation R-8, Rescheduling / Restructuring of Financing Facilities' to relieve the stress on the corporate / commercial sector arises due to COVID-19 pandemic situation. Under this scheme, the financial institutions had deferred repayment of principal loans by one year, provided that the Company continues to service the mark-up amount as per agreed terms and conditions including dividend block, restriction on long term investment and lending to Group companies and change in directorship / shareholding during deferment period. The deferment period ended in March 2021.

| | 2021 | | |
|---|---|---|---|
| | **Minimum lease payments** | **Finance charge** | **Present value of minimum lease payments** |
| **10 Lease liability - *unsecured*** | **---------- (Rupees) ----------** | | |
| Not later than one year | **9,663,060** | **10,708,498** | **(1,045,438)** |
| Later than one year and not later than five years | **49,330,888** | **41,821,796** | **7,509,092** |
| Above five years | **95,010,343** | **28,567,898** | **66,442,445** |
| | **154,004,291** | **81,098,192** | **72,906,099** |

| | 2020 | | |
|---|---|---|---|
| | Minimum lease payments | Finance charge | Present value of minimum lease payments |
| | ---------- (Rupees) ---------- | | |
| Lease liability - *unsecured* | ---------- *Restated* ---------- | | |
| Not later than one year | 8,784,600 | 10,517,582 | (1,732,982) |
| Later than one year and not later than five years | 44,846,261 | 42,617,887 | 2,228,375 |
| Above five years | 109,158,029 | 38,480,304 | 70,677,725 |
| | 162,788,890 | 91,615,773 | 71,173,118 |

* Finance cost exceeds rentals due in next twelve months.

The Company has recognized lease building on account of head office building rented out to the Company. The remaining tenure of contract is 10 years payable quarterly. Lease liability is calculated at discount rate of 15.11%.

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| **11 Deferred liabilities** | | | |
| Employee retirement benefits - Gratuity | *11.1* | **288,700,623** | 291,766,604 |
| Deferred taxation | *11.2* | **4,356,792,163** | 3,125,765,394 |
| | | **4,645,492,786** | 3,417,531,998 |

**11.1 Employee retirement benefits - Gratuity**

The latest actuarial valuation of the Company's defined benefit plan, was conducted at 30 June 2021 using 'Projected Unit Credit' method. Detail of obligation for defined benefit plan is as follows:

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| **11.1.1 The amounts recognized in the 'Statement of financial position' is as follows:** | | | |
| Present value of defined benefit obligation liability at 30 June | *11.1.2* | **288,700,623** | 291,766,604 |
| **11.1.2 Movement in the liability for defined benefit obligation recognized in the Statement of financial position' is as follows:** | | | |
| Liability for defined benefit obligation at 01 July | | **291,766,604** | 273,812,115 |
| Current service cost | *11.1.3* | **104,245,486** | 112,320,570 |
| Interest cost on defined benefit obligation | *11.1.3* | **19,617,289** | 31,833,032 |
| Actuarial gain charged to 'Other Comprehensive Income' | *11.1.5* | **(4,978,807)** | (25,354,285) |
| Benefits paid during the year | | **(121,949,949)** | (100,844,828) |
| Liability for defined benefit obligation at 30 June | | **288,700,623** | 291,766,604 |
| **11.1.3 The amounts recognized in the 'Statement of profit or loss' against defined benefit plan are as follows:** | | | |
| Current service cost | | **104,245,486** | 112,320,570 |
| Interest cost | | **19,617,289** | 31,833,032 |
| | | **123,862,775** | 144,153,602 |
| **11.1.4 Charge to 'Statement of profit or loss' against defined benefit plan has been allocated as under** | | | |
| Cost of sales | | **116,762,176** | 134,091,171 |
| Selling and distribution expense | | **1,781,856** | 1,841,964 |
| Administrative expense | | **5,318,743** | 8,220,467 |
| | | **123,862,775** | 144,153,602 |
| **11.1.5 Remeasurement gain recognized in the 'Other comprehensive income' against defined benefit plan are as follows:** | | | |
| *Remeasurement gain on defined benefit obligation due to:* | | | |
| - changes in financial assumptions | | **-** | (759,511) |
| - change in experience adjustment | | **(4,978,807)** | (24,594,774) |
| | | **(4,978,807)** | (25,354,285) |

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

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

| | **2021** | 2020 |
|---|---|---|
| Discount rate used for interest cost | **8.50% per annum** | 14.25% per annum |
| Discount rate used for year end obligation | **10.00% per annum** | 8.50% per annum |
| Expected rate of growth per annum in future salaries | **9.00% per annum** | 7.50% per annum |
| Mortality rates | **SLIC (2001 - 05) Setback 1 Year** | SLIC (2001 - 05) Setback 1 Year |
| Retirement assumption | **Age 60** | Age 60 |

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

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

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Impact on defined benefit obligation** | | | Impact on defined benefit obligation | | |
| | **Change in assumption** | **Increase in assumption** | **Decrease in assumption** | Change in assumption | Increase in assumption | Decrease in assumption |
| | **Percentage** | **Rupees** | | Percentage | Rupees | |
| | | | | | *Restated* | |
| Discount rate | **1.00%** | **269,279,591** | **309,529,186** | 1.00% | 277,815,475 | 307,744,155 |
| Salary growth rate | **1.00%** | **309,522,342** | **269,276,283** | 1.00% | 307,744,155 | 277,570,779 |

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

**11.1.8** The Company expects to charge Rs. 124.42 million against current service cost and Rs. 28.87 million against net interest cost, aggregating to Rs. 153.29 million, to 'Statement of profit or loss' in respect of defined benefit plan in year 2022.

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

**a) Salary risks**

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

**b) Demographic risks**

***Mortality Risk***

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

***Withdrawal Risk***

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

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

**11.2 Deferred taxation**

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 01 July | Effect of change in proration rate | | (Reversal from)/ charge to | | Balance at 30 June |
| | | Equity | 'Statement of profit or loss' | 'Statement of profit or loss' | 'Statement of comprehensive income' | |
| | Rupees | | | | | |
| **Taxable temporary differences arising in respect of :** | | | | | | |
| Revaluation surplus on property, plant and equipment | 1,332,075,176 | (18,504,445) | - | (101,443,189) | 1,360,153,650 | 2,572,281,192 |
| Accelerated tax depreciation | 1,802,576,921 | - | (25,040,393) | 78,118,982 | - | 1,855,655,510 |
| | 3,134,652,097 | (18,504,445) | (25,040,393) | (23,324,207) | 1,360,153,650 | 4,427,936,702 |
| Deductible temporary difference arising in respect of : | | | | | | |
| Provisions and others | (8,886,703) | - | 123,448 | (62,381,284) | - | (71,144,539) |
| Deferred tax liability | 3,125,765,394 | (18,504,445) | (24,916,945) | (85,705,491) | 1,360,153,650 | 4,356,792,163 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 01 July | Effect of change in proration rate | | (Reversal from)/ charge to | | Balance at 30 June |
| | | Equity | 'Statement of profit or loss' | 'Statement of profit or loss' | 'Statement of comprehensive income' | |
| | Rupees | | | | | |
| | *Restated* | | | | | |
| Taxable temporary differences arising in respect of : | | | | | | |
| Revaluation surplus on property, plant and equipment | 1,396,305,084 | 6,499,383 | - | (70,729,291) | - | 1,332,075,176 |
| Accelerated tax depreciation | 1,649,638,165 | - | 7,678,533 | 145,260,223 | - | 1,802,576,921 |
| | 3,045,943,249 | 6,499,383 | 7,678,533 | 74,530,932 | - | 3,134,652,097 |
| Deductible temporary difference arising in respect of : | | | | | | |
| Provisions and others | (6,732,090) | - | (29,976) | (2,124,637) | - | (8,886,703) |
| Deferred tax liability | 3,039,211,159 | 6,499,383 | 7,648,557 | 72,406,295 | - | 3,125,765,394 |

**11.2.1** The Company has not recognised deferred tax on unused tax credits on account of minimum tax paid and available for carry forward under section 113 of the Income Tax Ordinance, 2001, of Rs. 318.73 million (2020: Rs. 1,334.09 million) based on management assessment that realizability of these through future taxable profits is not probable. Tax credit is available for set off for five years against normal tax liabilities arising in future years.

| | | Note | 2021<br>Rupees | 2020<br>Rupees<br>*Restated* |
|---|---|---|---|---|
| **12** | **Trade and other payables** | | | |
| | Trade creditors | | **605,847,100** | 556,632,651 |
| | Accrued liabilities | *12.1* | **1,219,964,812** | 1,295,814,335 |
| | Due to associated undertakings | *12.2* | **523,589,177** | 282,279,141 |
| | Bills payable | | **1,081,640,184** | 557,681,391 |
| | Tax deducted at source | | **5,664,473** | 10,052,389 |
| | Infrastructure cess | *12.3* | **685,308,362** | 556,798,026 |
| | Workers' profit participation fund | *12.4* | **296,382,205** | 51,639,012 |
| | Workers' welfare fund | *12.5* | **62,532,103** | 49,187,833 |
| | Loan from Director | *12.6* | **299,693** | 299,693 |
| | Others | | **88,746,126** | 25,400,587 |
| | | | **4,569,974,235** | 3,385,785,058 |

**12.1** This includes payable on account of GIDC which has been re-measured pursuant to the decision of Supreme Court of Pakistan. Accordingly Rs. 304.50 million has been transferred to long term payable and gain on remeasurement amounting to Rs. 57.59 million has been recognized in other income.

| | | Note | 2021<br>Rupees | 2020<br>Rupees<br>*Restated* |
|---|---|---|---|---|
| **12.2** | **Due to associated undertakings** | | | |
| | Ahmed Fine Textile Mills Limited | | **498,919,627** | 246,420,298 |
| | Hussain Ginneries Limited | | **13,250,970** | 12,012,520 |
| | Fatima Energy Limited | | **7,550,000** | 21,957,598 |
| | Fatima Fertilizer Company Limited | | **3,799,579** | 1,765,621 |
| | Fazal Farm (Private) Limited | | **-** | 54,103 |
| | Fazal-ur-Rehman Foundation | | **28,500** | 28,500 |
| | Pakarab Fertilizer Limited | | **40,501** | 40,501 |
| | | *12.2.1* | **523,589,177** | 282,279,141 |

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

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

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **12.4 Workers' profit participation fund** | | | |
| Balance as at 01 July | | **51,639,012** | 133,481,782 |
| Provision for the year | *33* | **296,382,205** | 51,639,012 |
| Interest on funds utilized by the Company | *36* | **17,826,070** | 28,906,392 |
| | | **365,847,287** | 214,027,186 |
| Payment made during the year | | **(69,178,804)** | (162,153,254) |
| Deposited in 'Government Treasury' | | **(286,278)** | (234,920) |
| Balance as at 30 June | | **296,382,205** | 51,639,012 |

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **12.5 Workers' welfare fund** | | | |
| Balance as at 01 July | | **49,187,833** | 36,822,050 |
| Payment made in tax liability | | **(19,570,472)** | - |
| Reversal during the year | | **(35,569,564)** | - |
| Allocation for the year | *33* | **68,484,306** | 12,365,783 |
| Balance as at 30 June | | **62,532,103** | 49,187,833 |

**12.6** This represents interest free loan from a director of the Company. The loan is unsecured and repayable on demand.

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **13 Current portion of non-current liabilities** | | | |
| *Markup bearing finances* | | | |
| Long term financing - *secured* | *8* | **2,867,193,269** | 724,305,551 |
| *Islamic mode of financing* | | | |
| Long term musharika - *secured* | *9* | **763,539,316** | 270,258,778 |
| Deferred grant | *8* | **33,101,730** | 16,000,569 |
| | | **3,663,834,315** | 1,010,564,898 |

| | | | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|---|---|
| **14** | **Short term borrowings - *secured*** | | | | |
| | **Banking companies** | **Limits (in million)** | **Nominal interest rate %** | | |
| | ***Mark-up based borrowings from conventional banks*** | | | | |
| | Cash finance | **7,775** | **7.52 - 8.94** | **-** | 1,637,257,278 |
| | Running finance | **8,420** | **7.32 - 9.01** | **594,424,048** | 1,579,377,202 |
| | Finance against imported merchandise | **3,700** | **7.20 - 9.27** | **1,005,850,735** | 679,897,563 |
| | Money market loan | **Sub-limit** | **7.39 - 13.75** | **3,746,000,000** | 2,778,999,999 |
| | Finance against trust receipt | **1,610** | **7.50 - 8.34** | **437,369,080** | 457,466,061 |
| | Export finance (FCEF / FAFB) | **3,850** | **1.88 - 3.89** | **-** | 3,779,169,695 |
| | ***Islamic mode of financing*** | | | | |
| | Running musharika | **1,870** | **7.51 - 8.43** | **223,467,042** | 525,056,419 |
| | Karobar finance/ Import murabaha/ Musawammah | **2,491** | **8.58 - 13.81** | **-** | 100,000,000 |
| | | | | **6,007,110,905** | 11,537,224,217 |

**14.1** The Company has short term borrowing facilities including funded and un-funded available from various commercial banks under mark-up / profit arrangements having aggregate sanctioned limits of Rs.33,366 million (2020: Rs. 31,074 million) and Bank Guarantees limits of Rs. 1,862 million (2020: Rs. 1,693 million). These facilities are secured against different securities including pledge of stocks, hypothecation of stocks, stores and spares, hypothecation charge on other all current assets, lien on debtors, lien on imports and exports documents and personal guarantees of the sponsoring directors. The pledge based outstanding borrowings out of the above outstanding borrowings are secured against pledge of stocks amounting to Rs.1,495 million and 69 million shares of Fatima Fertilizer Company Limited. Short term borrowing facilities which remained unutilized at year end were Rs.22,898 million (2020: Rs.18,620 million). These facilities are expiring on various dates by 31 March 2022.

| | | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| **15** | **Accrued mark-up** | | |
| | *Mark-up based loans* | | |
| | Long term financing - *secured* | **180,752,241** | 247,881,454 |
| | Short term borrowings - *secured* | **52,592,147** | 172,865,628 |
| | | **233,344,388** | 420,747,082 |
| | *Islamic mode of financing* | | |
| | Long term musharika - *secured* | **59,588,423** | 82,187,097 |
| | Short term borrowings - *secured* | **6,180,376** | 14,257,071 |
| | | **65,768,799** | 96,444,168 |
| | | **299,113,187** | 517,191,250 |

## 16 Contingencies and commitments

### 16.1 Contingencies

***Income Tax***

**16.1.1** The officials of Large Taxpayers Unit, Lahore ('LTU - Lahore') raised income tax demands of Rs. 8.8 million, Rs. 49.78 million, Rs. 55.78 million and Rs. 93.49 million against the Company through separate orders, dated 28 June 2019, 29 June 2018, 17 November 2020 and 29 December 2020 respectively, under Section 161/205 of the Income Tax Ordinance, 2001 ('Ordinance') on grounds that income tax has not been deducted against certain payments during tax years 2013, 2016, 2018 and 2019 respectively. The Company has agitated the orders in appeal before Commissioner Inland Revenue Appeals ('CIR-A') which are pending adjudication for 2018 and 2019. For tax year 2016, CIR-A has vacated the departmental action to the extent of Rs. 39.12 million and for remaining amount of Rs. 10.78 million the Company has filed an appeal before the Appellate Tribunal Inland Revenue ('ATIR') which is pending adjudication. For tax year 2013, the Company's appeal against order was disposed of by CIR-A for which the Company has filed appeal before ATIR which is pending adjudication.

**16.1.2** The officials of LTU - Lahore raised income tax demands of Rs 32.03 million against the Company through amendment order, dated 28 June 2019 under section 122(5A) of the Ordinance for tax year 2013. The Company has preferred appeal against the orders before CIR-A which is pending adjudication.

**16.1.3** The officials of LTU - Lahore after concluding income tax audit under Section 177 of the Ordinance, raised income tax demand of Rs. 7.98 million against the Company through amended order, dated 26 April 2018, under Section 122(5) of the Ordinance for tax year 2014. The Company has agitated the order in appeal before CIR-A, which is pending adjudication.

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

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

**16.1.6** Admissibility of 'payment to preference share-holders' has been disputed in income tax amendment orders, dated 30 September 2010, 14 May 2012, 23 October 2012, 30 March 2015, 23 June 2014 and 29 January 2016 respectively, for tax years 2007 to 2013 involving a sum of Rs. 234 million. The first appellate authority has maintained departmental stance, the Company's appeals are lying with ATIR except for tax year 2013 which is pending with CIR-A.

**16.1.7** Proceedings were initiated by officials of LTU - Lahore through orders dated 29 December 2018 under Section 122(5A) of the Ordinance regarding apportionment of deduction claimed on account of WPPF to export income amounting to Rs. 16.12 million, Rs. 10.71 million and Rs. 12.50 million for tax year 2015, 2016 and 2017 respectively. The Company filed an appeal before CIR-A which was decided against the company by CIR-A through appellate order dated 24 August 2020. The Company has assailed the said appellate order in appeal before ATIR which is pending for adjudication.

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

***Sales Tax***

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

**16.1.10** The Deputy Commissioner Inland Revenue ('DCIR') issued Order-In-Original No.14/2019-20 dated April 15, 2020 (‘ONO’) under Section 11 of the Sales Tax Act 1990, disallowing the input tax of Rs 143.628 million claimed under various heads from tax periods July 2013 to August 2018. The Company filed an appeal before CIR - A which was disposed off through appellate order dated 29 June 2020 passed under Section 45B of the Act whereby ONO was annulled, and the matter was remanded back to department for denovo consideration. However, the Company preferred an appeal in ATIR and the matter is pending adjudication.

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

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

**16.1.13** The DCIR issued Order-In-Original No. 23/2019-20 dated 11 June 2021 under Section 11 of the Act, disallowing the input tax on construction/ building materials of Rs. 8.07 million for the tax periods July 2019 to June 2020. The Company has agitated the order in appeal before CIR-A, which is pending adjudication.

Based on the opinion of the Company's legal counsel the management is confident of favorable outcome in all aforesaid matters, hence no provision is being recognized in respect of these in the financial statements.

**16.2 Commitments**

**16.2.1** Export documents negotiated with banks under Foreign bill purchase facility are USD 12.81 million and Euro 0.32 million ( 2020: USD 7.25 million).

| | | **2021 Rupees** | 2020 Rupees *Restated* |
|---|---|---|---|
| **16.2.2** | Guarantees issued by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies. | **1,235,938,854** | 1,067,560,700 |
| **16.2.3** | **Commitments against irrevocable letters of credit:** | | |
| | *- capital expenditure* | **2,634,184,982** | 324,053,382 |
| | *- raw material and stores and spares* | **5,132,411,591** | 1,545,003,301 |
| | | **7,766,596,573** | 1,869,056,683 |
| **16.2.4** | **Commitments in respect of foreign exchange forward contracts:** | **1,178,466,000** | 1,096,875,000 |

**16.2.5** Minimum lease payment in respect of ginning unit under operating lease ending on 30 June 2021, is as under:

| | **2021 Rupees** | 2020 Rupees *Restated* |
|---|---|---|
| - not later than one year | - | 1,250,000 |
| - 1 to 5 years | - | - |

**17 Property, plant and equipment**

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| Operating fixed assets | *17.1* | 38,055,135,210 | 27,828,545,057 |
| Right of use asset - building | *17.1* | 57,435,806 | 63,179,387 |
| Capital work-in-progress - at cost | *17.3* | 303,637,345 | 304,978,410 |
| | | 38,416,208,361 | 28,196,702,854 |

**17.1 Operating fixed assets**

| | Cost/ revalued amount | | | | | | | Accumulated depreciation | | | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2020 | Revaluation surplus | Additions | Reclassification | Disposals | Balance as at 30 June 2021 | Rate % | Balance as at 01 July 2020 | Revaluation surplus | For the year | Reclassification | Disposals | Balance as at 30 June 2021 | Balance as at 30 June 2021 |
| | Rupees | | | | | | | Rupees | | | | | | |
| *Freehold land* | | | | | | | | | | | | | | |
| - cost | 471,448,957 | - | 4,726,400 | - | - | 476,175,357 | | - | - | - | - | - | - | 476,175,357 |
| - revaluation surplus | 3,427,098,284 | 3,156,687,759 | - | - | - | 6,583,786,043 | | - | - | - | - | - | - | 6,583,786,043 |
| | 3,898,547,241 | 3,156,687,759 | 4,726,400 | - | - | 7,059,961,400 | | - | - | - | - | - | - | 7,059,961,400 |
| *Factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 2,607,847,948 | - | 196,519,907 | - | - | 2,804,367,855 | | 743,720,793 | - | 96,744,685 | - | - | 840,465,478 | 1,963,902,377 |
| - revaluation surplus | 3,327,295,893 | 3,077,496,942 | - | - | - | 6,404,792,835 | 5 | 1,483,006,634 | 1,181,055,005 | 139,625,511 | - | - | 2,803,687,150 | 3,601,105,685 |
| | 5,935,143,841 | 3,077,496,942 | 196,519,907 | - | - | 9,209,160,690 | | 2,226,727,427 | 1,181,055,005 | 236,370,196 | - | - | 3,644,152,628 | 5,565,008,062 |
| *Non-factory building on free hold land* | | | | | | | | | | | | | | |
| - cost | 951,149,010 | - | 65,197,945 | - | - | 1,016,346,955 | | 270,529,905 | - | 34,542,750 | - | - | 305,072,655 | 711,274,300 |
| - revaluation surplus | 3,015,066,862 | 1,470,677,387 | - | - | - | 4,485,744,249 | 5 | 1,213,331,958 | 531,934,934 | 113,555,281 | - | - | 1,858,822,173 | 2,626,922,076 |
| | 3,966,215,872 | 1,470,677,387 | 65,197,945 | - | - | 5,502,091,204 | | 1,483,861,863 | 531,934,934 | 148,098,031 | - | - | 2,163,894,828 | 3,338,196,376 |
| *Non-factory building on lease hold land* | | | | | | | | | | | | | | |
| - cost | 85,284,154 | - | - | - | - | 85,284,154 | | 28,588,520 | - | 8,504,345 | - | - | 37,092,865 | 48,191,289 |
| - revaluation surplus | - | 69,205,926 | - | - | - | 69,205,926 | 15 | - | 26,649,388 | 3,191,740 | - | - | 29,841,128 | 39,364,798 |
| | 85,284,154 | 69,205,926 | - | - | - | 154,490,080 | | 28,588,520 | 26,649,388 | 11,696,085 | - | - | 66,933,993 | 87,556,087 |
| *Plant and machinery* | | | | | | | | | | | | | | |
| - cost | 18,784,084,487 | - | 760,200,491 | (61,753,370) | (23,368,786) | 19,459,162,822 | | 5,501,072,250 | - | 673,925,931 | (23,195,758) | (10,623,262) | 6,141,179,161 | 13,317,983,661 |
| - revaluation surplus | 5,249,698,051 | 5,758,981,205 | - | - | (15,949,196) | 10,992,730,060 | 5 | 2,517,411,029 | 1,861,886,073 | 233,877,494 | - | (8,330,682) | 4,604,843,914 | 6,387,886,146 |
| | 24,033,782,538 | 5,758,981,205 | 760,200,491 | (61,753,370) | (39,317,982) | 30,451,892,882 | | 8,018,483,279 | 1,861,886,073 | 907,803,425 | (23,195,758) | (18,953,944) | 10,746,023,075 | 19,705,869,807 |
| *Electric fittings and installations* | | | | | | | | | | | | | | |
| - cost | 932,116,211 | - | 21,883,509 | (7,397,530) | (214,940) | 946,387,250 | | 269,729,098 | - | 33,054,880 | (2,785,266) | (127,482) | 299,871,230 | 646,516,020 |
| - revaluation surplus | 1,177,825,576 | 931,569,471 | - | - | - | 2,109,395,047 | 5 | 516,750,365 | 367,787,502 | 47,148,309 | - | - | 931,686,176 | 1,177,708,871 |
| | 2,109,941,787 | 931,569,471 | 21,883,509 | (7,397,530) | (214,940) | 3,055,782,297 | | 786,479,463 | 367,787,502 | 80,203,189 | (2,785,266) | (127,482) | 1,231,557,406 | 1,824,224,891 |
| *Sui gas installations* | | | | | | | | | | | | | | |
| - cost | 14,380,412 | - | 3,683,276 | 2,842,300 | - | 20,905,988 | | 8,048,788 | - | 455,624 | 1,154,689 | - | 9,659,101 | 11,246,887 |
| - revaluation surplus | 13,612,858 | 20,854,069 | - | - | - | 34,466,927 | 5 | 7,858,132 | 9,533,545 | 570,749 | - | - | 17,962,426 | 16,504,501 |
| | 27,993,270 | 20,854,069 | 3,683,276 | 2,842,300 | - | 55,372,915 | | 15,906,920 | 9,533,545 | 1,026,373 | 1,154,689 | - | 27,621,527 | 27,751,388 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | | | | | |
| - cost | 111,979,665 | | - | 51,281,076 | - | 163,260,741 | | 32,216,513 | - | 5,461,604 | 21,812,121 | - | 59,490,238 | 103,770,503 |
| - revaluation surplus | 174,077,146 | 68,568,794 | - | - | - | 242,645,940 | 5 | 92,423,406 | 23,037,492 | 5,220,970 | - | - | 120,681,868 | 121,964,072 |
| | 286,056,811 | 68,568,794 | - | 51,281,076 | - | 405,906,681 | | 124,639,919 | 23,037,492 | 10,682,574 | 21,812,121 | - | 180,172,106 | 225,734,575 |
| *Fire extinguishing equipment and scales* | | | | | | | | | | | | | | |
| - cost | 21,455,164 | - | 1,952,212 | - | - | 23,407,376 | | 7,968,527 | - | 768,473 | - | - | 8,737,000 | 14,670,376 |
| - revaluation surplus | 46,241,510 | 10,871,642 | - | - | - | 57,113,152 | 5 | 24,771,694 | 4,579,200 | 1,230,802 | - | - | 30,581,696 | 26,531,456 |
| | 67,696,674 | 10,871,642 | 1,952,212 | - | - | 80,520,528 | | 32,740,221 | 4,579,200 | 1,999,275 | - | - | 39,318,696 | 41,201,832 |
| Office equipments | 66,178,339 | - | 13,585,536 | - | (4,326,762) | 75,437,113 | 10 | 27,990,998 | - | 4,385,745 | - | (1,422,876) | 30,953,867 | 44,483,246 |
| Furniture and fittings | 31,341,204 | - | 1,238,928 | - | - | 32,580,132 | 10 | 15,969,450 | - | 1,615,911 | - | - | 17,585,361 | 14,994,771 |
| Vehicles | 229,732,713 | - | 54,321,987 | 15,027,524 | (11,020,447) | 288,061,777 | 20 | 147,981,327 | - | 26,378,147 | 3,014,214 | (9,464,686) | 167,909,002 | 120,152,775 |
| Right of use asset - land and building | 68,922,967 | - | - | - | - | 68,922,967 | 8.33 | 5,743,580 | - | 5,743,581 | - | - | 11,487,161 | 57,435,806 |
| | 40,806,837,411 | 14,564,913,195 | 1,123,310,191 | - | (54,880,131) | 56,440,180,666 | | 12,915,112,967 | 4,006,463,139 | 1,436,002,532 | - | (29,968,988) | 18,327,609,650 | 38,112,571,016 |

**Operating fixed assets**

| | Cost/ revalued amount | | | | | Accumulated depreciation | | | | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01 July 2019 | Additions | Disposals | Balance as at 30 June 2020 | Rate % | Balance as at 01 July 2019 | For the year | Disposals | Balance as at 30 June 2020 | Balance as at 30 June 2020 |
| | Rupees | | | | | Rupees | | | | |
| | Restated | | | | | Restated | | | | |
| *Freehold land* | | | | | | | | | | |
| - cost | 471,448,957 | - | - | 471,448,957 | | - | - | - | - | 471,448,957 |
| - revaluation surplus | 3,427,098,284 | - | - | 3,427,098,284 | | - | - | - | - | 3,427,098,284 |
| | 3,898,547,241 | - | - | 3,898,547,241 | | - | - | - | - | 3,898,547,241 |
| *Factory building on free hold land* | | | | | | | | | | |
| - cost | 2,353,067,450 | 254,780,498 | - | 2,607,847,948 | | 647,704,469 | 96,016,324 | - | 743,720,793 | 1,864,127,155 |
| - revaluation surplus | 3,327,295,893 | - | - | 3,327,295,893 | 5 | 1,388,549,455 | 94,457,179 | - | 1,483,006,634 | 1,844,289,259 |
| | 5,680,363,343 | 254,780,498 | - | 5,935,143,841 | | 2,036,253,924 | 190,473,503 | - | 2,226,727,427 | 3,708,416,414 |
| *Non-factory building on free hold land* | | | | | | | | | | |
| - cost | 878,976,381 | 72,172,629 | - | 951,149,010 | | 237,530,850 | 32,999,055 | - | 270,529,905 | 680,619,105 |
| - revaluation surplus | 3,015,066,862 | - | - | 3,015,066,862 | 5 | 1,118,925,067 | 94,406,891 | - | 1,213,331,958 | 1,801,734,904 |
| | 3,894,043,243 | 72,172,629 | - | 3,966,215,872 | | 1,356,455,917 | 127,405,946 | - | 1,483,861,863 | 2,482,354,009 |
| *Non-factory building on lease hold land* | | | | | | | | | | |
| - cost | 85,284,154 | - | - | 85,284,154 | | 18,583,408 | 10,005,112 | - | 28,588,520 | 56,695,634 |
| - revaluation surplus | - | - | - | - | 15 | - | - | - | - | - |
| | 85,284,154 | - | - | 85,284,154 | | 18,583,408 | 10,005,112 | - | 28,588,520 | 56,695,634 |
| | | | | | | | | | - | |
| *Plant and machinery* | | | | | | | | | | |
| - cost | 16,941,503,676 | 1,869,401,897 | (26,821,086) | 18,784,084,487 | | 4,858,458,526 | 662,323,408 | (19,709,684) | 5,501,072,250 | 13,283,012,237 |
| - revaluation surplus | 5,260,962,908 | - | (11,264,857) | 5,249,698,051 | 5 | 2,380,639,797 | 141,488,147 | (4,716,915) | 2,517,411,029 | 2,732,287,022 |
| | 22,202,466,584 | 1,869,401,897 | (38,085,943) | 24,033,782,538 | | 6,514,694,774 | 803,811,555 | (24,426,599) | 8,018,483,279 | 16,015,299,259 |
| | | | | | | | | | - | |
| *Electric fittings and installations* | | | | | | | | | | |
| - cost | 835,898,414 | 96,862,491 | (644,694) | 932,116,211 | | 238,865,160 | 31,172,509 | (308,571) | 269,729,098 | 662,387,113 |
| - revaluation surplus | 1,177,825,576 | - | - | 1,177,825,576 | 5 | 481,998,196 | 34,752,169 | - | 516,750,365 | 661,075,211 |
| | 2,013,723,990 | 96,862,491 | (644,694) | 2,109,941,787 | | 720,863,356 | 65,924,678 | (308,571) | 786,479,463 | 1,323,462,324 |
| | | | | | | | | | - | |
| *Sui gas installations* | | | | | | | | | | |
| - cost | 14,020,862 | 359,550 | - | 14,380,412 | | 7,732,891 | 315,897 | - | 8,048,788 | 6,331,624 |
| - revaluation surplus | 13,612,858 | - | - | 13,612,858 | 5 | 7,555,252 | 302,880 | - | 7,858,132 | 5,754,726 |
| | 27,633,720 | 359,550 | - | 27,993,270 | | 15,288,143 | 618,777 | - | 15,906,920 | 12,086,350 |
| *Tools, laboratory equipment and arms* | | | | | | | | | | |
| - cost | 109,570,343 | 2,409,322 | - | 111,979,665 | | 28,038,395 | 4,178,118 | - | 32,216,513 | 79,763,152 |
| - revaluation surplus | 174,077,146 | - | - | 174,077,146 | 5 | 85,955,617 | 6,467,789 | - | 92,423,406 | 81,653,740 |
| | 283,647,489 | 2,409,322 | - | 286,056,811 | | 113,994,012 | 10,645,907 | - | 124,639,919 | 161,416,892 |
| Fire extinguishing equipment and scales | | | | | | | | | | |
| *- cost* | 16,779,694 | 4,675,470 | - | 21,455,164 | | 7,464,776 | 503,751 | - | 7,968,527 | 13,486,637 |
| *- revaluation surplus* | 46,241,510 | - | - | 46,241,510 | 5 | 23,642,762 | 1,128,932 | - | 24,771,694 | 21,469,816 |
| | 63,021,204 | 4,675,470 | - | 67,696,674 | | 31,107,538 | 1,632,683 | - | 32,740,221 | 34,956,453 |
| Office equipments | 54,707,635 | 12,262,637 | (791,933) | 66,178,339 | 10 | 24,619,471 | 3,652,533 | (281,006) | 27,990,998 | 38,187,341 |
| Furniture and fittings | 30,185,267 | 1,155,937 | - | 31,341,204 | 10 | 14,323,667 | 1,645,783 | - | 15,969,450 | 15,371,754 |
| Vehicles | 211,144,041 | 18,588,672 | - | 229,732,713 | 20 | 130,189,316 | 17,792,011 | - | 147,981,327 | 81,751,386 |
| Right of use asset - land and building | - | 68,922,967 | - | 68,922,967 | 8.33 | - | 5,743,580 | - | 5,743,580 | 63,179,387 |
| Balance as at 30 June 2020 | 38,444,767,911 | 2,401,592,070 | (39,522,570) | 40,806,837,411 | | 10,976,373,526 | 1,239,352,068 | (25,016,176) | 12,915,112,967 | 27,891,724,444 |

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

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| Cost of sales | *30* | **1,386,278,225** | 1,200,507,840 |
| Administrative expense | *32* | **49,724,307** | 38,844,228 |
| | | **1,436,002,532** | 1,239,352,068 |

**17.1.2** Additions in operating fixed assets represents transfer from capital work-in-progress.

**17.1.3** All assets of the Company as at 30 June 2021 are located in Pakistan.

**17.1.4** The latest valuation of of Company's assets was carried out on 01 January 2021. The Category wise gross revalued amounts along with forced sale values, as at the that date, are given below:

| | Gross revalued amount | Forced sales value |
|---|---|---|
| | - - - - - - - - - Rupees | - - - - - - - - - |
| Freehold land | **7,057,000,000** | **5,649,000,000** |
| Factory building on free hold land | **5,611,103,245** | **4,491,000,000** |
| Non-factory building on free hold land | **3,512,696,755** | **2,812,000,000** |
| Plant and machinery | **19,976,978,000** | **15,989,000,000** |
| Electric fittings and installations | **1,884,745,000** | **1,509,000,000** |
| Sui gas installations | **25,000,000** | **20,000,000** |
| Tools, laboratory equipment and arms | **231,645,000** | **185,000,000** |
| Fire fighting and weighing scales | **41,300,000** | **33,000,000** |
| | **38,340,468,000** | **30,688,000,000** |

**17.1.5** Had there been no revaluation of the freehold land, factory building on freehold land, non-factory building on free hold land, thereon and plant and machinery, electric fittings and installations, sui gas installations, tools laboratory equipment and arms, fire fighting and weighing scales therin, the net book value as of 30 June 2021 would have been as follows:

| | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|
| Freehold land | **476,175,357** | 471,448,957 |
| Factory building on free hold land | **1,963,902,377** | 1,864,127,155 |
| Non-factory building on free hold land | **759,465,589** | 737,314,739 |
| Plant and machinery | **13,317,983,661** | 13,283,012,237 |
| Electric fittings and installations | **646,516,020** | 662,387,113 |
| Sui gas installations | **11,246,887** | 6,331,624 |
| Tools, laboratory equipment and arms | **103,770,503** | 79,763,152 |
| Fire fighting and weighing scales | **14,670,376** | 13,486,637 |
| | **17,293,730,770** | 17,117,871,614 |

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

| Particulars | Location | Total Area |
|---|---|---|
| Free hold land (Manufacturing Unit) | Jhang Road, Muzaffargarh | 589 kanal and 11.5 marlas |
| Free hold land (Residential Colony) | Jhang Road, Muzaffargarh | 107 kanal and 15 marlas |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 592 kanal and 9.6 marlas |
| Free hold land (Residential Colony) | Qadirpur Rawan bypass Khanewal Road, Multan | 92 kanal and 8 marlas |
| Free hold land (Manufacturing Unit) | Qadirpur Rawan bypass Khanewal Road, Multan | 167 kanal and 4 marlas |
| Free hold land (Administrative Storage Unit) | Sarwar Road, Multan | 15 marlas |
| Free hold land | Bahawalpur Road, Multan | 7 kanal and 9 marlas |

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

17.2 **The following assets were disposed of during the year**

| | Cost/ revalued amount | Accumulated depreciation | Net book value | Sale proceeds/ Insurance claim | Gain/ (loss) | Mode of disposal | Particulars of purchaser | Relationship |
|---|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | Rupees | ---------- | ---------- | | | |
| **Plant and machinery** | | | | | | | | |
| Chiller Plant | 31,839,224 | 15,828,195 | 16,011,029 | 4,700,000 | (11,311,029) | Negotiation | Ahmed Fine Textile Mills Limited | Related Party |
| Screw Air Compressors Lg fd-75 | 5,191,589 | 2,023,160 | 3,168,429 | 3,278,000 | 109,571 | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| Plate Heat Exchanger Nt-150-S H/B-10 | 1,520,038 | 626,246 | 893,792 | 300,000 | (593,792) | Negotiation | Ahmed Fine Textile Mills Limited | Related Party |
| Dryer F180HS | 453,853 | 275,699 | 178,154 | 1,468,000 | 1,289,846 | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| Dryer F140HS | 313,278 | 200,644 | 112,634 | 852,000 | 739,366 | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| | **39,317,982** | **18,953,944** | **20,364,038** | **10,598,000** | **(9,766,038)** | | | |
| **Office equipment** | | | | | | | | |
| Face Recognition Machines | **1,567,500** | **371,360** | **1,196,140** | **1,081,500** | **(114,640)** | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| Various assets having net book value up to Rs. 500,000 each | **2,759,262** | **1,051,516** | **1,707,746** | **1,883,715** | **175,969** | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| **Electric fitting and installation** | | | | | | | | |
| Various assets having net book value up to Rs. 500,000 each | **214,940** | **127,482** | **87,458** | **167,500** | **80,042** | Insurance Claim | Adamjee Insurance Co. Ltd | Third party |
| **Vehicles** | | | | | | | | |
| Honda Civic Vti Oriel Mn-13-9 | 2,500,375 | 2,098,775 | 401,600 | 1,000,000 | 598,400 | Negotiation | Farna Tech | Third party |
| Fork Lifter Unit-03 | 1,883,856 | 1,855,445 | 28,411 | 250,000 | 221,589 | Negotiation | Mr. Annas Bilal | Third party |
| Toyota Corolla GLI MN-11-4594 | 1,690,655 | 1,453,024 | 237,631 | 500,000 | 262,369 | Negotiation | Mr. M. Zahid Siddique | Third party |
| Suzuki Cultus MNC-15-625 | 1,095,490 | 754,134 | 341,356 | 400,000 | 58,644 | Negotiation | Mr. Ishtiq Ahmad | Third party |
| Suzuki Cultus MN-11-3017 | 784,975 | 666,155 | 118,820 | 240,000 | 121,180 | Negotiation | Mr. Asim Khan | Third party |
| Suzuki Bolan VX Euro 2 MN-13-5287 | 723,899 | 561,860 | 162,039 | 220,000 | 57,961 | Negotiation | Mr. Akhtar Abbas | Third party |
| Suzuki Mehran MN-14-3999 | 699,317 | 532,836 | 166,481 | 210,000 | 43,519 | Negotiation | Mr. Zaffar Iqbal Kiiyani | Third party |
| Suzuki Bolan MN-11-3016 | 632,695 | 568,157 | 64,538 | 200,000 | 135,462 | Negotiation | Mr. Ghulam Asghar | Third party |
| Various assets having net book value upto Rs. 500,000 each | 1,009,185 | 974,300 | 34,885 | 339,000 | 304,115 | Negotiation | Miscellaneous | Third party |
| | **11,020,447** | **9,464,686** | **1,555,761** | **3,359,000** | **1,803,239** | | | |
| **2021** | **54,880,131** | **29,968,988** | **24,911,143** | **17,089,715** | **(7,821,428)** | | | |
| 2020 | 39,522,570 | 25,016,176 | 14,506,394 | 3,640,800 | (10,865,594) | | | |

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **17.3** | **Capital work-in-progress - *cost*** | | | |
| | Balance as at 01 July | | **304,978,410** | 485,297,361 |
| | Additions during the year | | **1,121,969,126** | 2,152,350,152 |
| | Transfers during the year | *17.1* | **(1,123,310,191)** | (2,332,669,103) |
| | Balance as at 30 June | *17.3.1* | **303,637,345** | 304,978,410 |

**17.3.1 Breakup of capital work-in-progress:**

| | 2021 | 2020 |
|---|---|---|
| *Factory building on free hold land* | | |
| Material and expenses | **392,110** | 22,477,370 |
| Advance payments | **16,022,971** | 14,617,445 |
| | **16,415,081** | 37,094,815 |
| *Non-factory building on free hold land* | | |
| Material and expenses | **14,366,804** | 42,903,174 |
| Advance payments | **9,892,865** | - |
| *Plant and machinery* | | |
| Cost and expenses | **9,502,252** | 7,813,168 |
| Advance payments | **17,591,000** | 38,634,615 |
| Letters of credit | **150,605,607** | 171,883,925 |
| | **177,698,859** | 218,331,708 |
| Tools, laboratory equipment and arms | | |
| Cost and expenses | **385,600** | 385,600 |
| Electric fittings and Installations - Advance payments | | |
| Cost and expenses | **16,100** | 1,700,061 |
| Advance payments | **36,718,627** | - |
| Fire fighting equipment & weigh scales | | |
| Cost and expenses | **105,500** | - |
| Advance payments | **2,222,420** | - |
| Office equipment - Advance payments | **820,057** | 798,778 |
| Furniture - Advance payments | **1,746,133** | 128,287 |
| Vehicles - Advance payments | **43,249,299** | 3,635,987 |
| | **303,637,345** | 304,978,410 |

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| **18 Long term investments** | | | |
| ***At fair value through OCI*** | | | |
| Fatima Fertilizer Company Limited - *quoted* | *18.1* | **1,811,078,391** | 1,683,830,449 |
| Fatima Energy Limited - *unquoted* | *18.2* | **720,195,000** | - |
| Multan Real Estate (Private) Limited - *unquoted* | *18.3* | **36,693,860** | 33,358,054 |
| | | **2,567,967,251** | 1,717,188,503 |
| ***Associated companies - at equity method*** | | | |
| Fatima Energy Limited - *unquoted* | *18.4* | **-** | 696,130,834 |
| Fatima Transmission Company Limited - *unquoted* | *18.4* | **-** | 3,591,200 |
| Fatima Electric Company Limited - *unquoted* | *18.4* | **11,605** | 17,605 |
| | | **11,605** | 699,739,639 |
| | | **2,567,978,856** | 2,416,928,142 |

| | | Note | Shares 30 June 2021 | Shares 30 June 2020 | Market value 30 June 2021 | Market value 30 June 2020 | Market value per share 30 June 2021 | Market value per share 30 June 2020 | Percentage of holding 30 June 2021 | Percentage of holding 30 June 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number | | Rupees | Rupees (Restated) | Rupees | | | |
| 18.1 | **At fair value through OCI** | | | | | | | | | |
| | Fatima Fertilizer Company Limited - *quoted* | *18.1.1* | **62,994,031** | 62,994,031 | **1,811,078,391** | 1,683,830,449 | **28.75** | 26.73 | **3.00%** | 3.00% |

**18.1.1** The investment in Fatima Fertilizer Company Limited '(FFCL)' has been designated as fair value through OCI under IFRS 9. FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through OCI. The Company does not have significant influence on FFCL. These shares are pledged as security with commercial bank as referred in note 14.

| | | Shares 30 June 2021 | Shares 30 June 2020 | Fair value 30 June 2021 | Fair value 30 June 2020 | Percentage of holding 30 June 2021 | Percentage of holding 30 June 2020 |
|---|---|---|---|---|---|---|---|
| 18.2 | Fatima Energy Limited - *related party* | Number | | Rupees | Rupees (Restated) | | |
| | Fatima Energy Limited - *unquoted* | **108,300,000** | - | **720,195,000** | - | **19.00%** | 0.00% |

**18.2.1** The Company's investment in Fatima Energy Limited ('FEL') was less than 20% however was considered as an associate as per requirement of IAS 28 because of significant influence exercised through representation by two members on the Board. Effective 20 September 2020, the significant influence of the Company no more exists as Company's representatives on the Board of FEL have resigned. Accordingly, the Company discontinued equity accounting on its investment in FEL from 20 September 2020 and recognized a gain of Rs. 216.80 million in statement of profit or loss calculated as the difference between the carrying amount and fair market value of the retained investment on the aforementioned date. The investments in Fatima Energy Limited (FEL) has now been designated at fair value through OCI under IFRS 9. The fair value has been determined by an independent valuer and has been designated at Level 3 as mentioned in note 39. Reconciliation of carrying value / fair value:

| | Note | 30 June 2021 | 30 June 2020 |
|---|---|---|---|
| | | Rupees | Rupees (Restated) |
| **_Fatima Energy Limited_** | | | |
| Opening carrying amount - *under equity method* | | **696,130,834** | 1,225,542,760 |
| Impact of discounting | *19.1* | **-** | 415,201,774 |
| Share of loss for the period to date | | **(43,278,960)** | (861,900,735) |
| Carrying amount of equity instrument disposed off | | **-** | (82,712,965) |
| | | **652,851,874** | 696,130,834 |
| Fair value adjustment on transition from equity accounting to FVOCI recognized in profit or loss | | **216,797,126** | - |
| Fair value at the time of designation as FVOCI | | **869,649,000** | 696,130,834 |
| Impact of discounting | *19.1* | **17,089,379** | - |
| Fair value loss recognized in 'Statement of Comprehensive Income' | | **(166,543,379)** | - |
| | | **720,195,000** | 696,130,834 |

**18.3** This represents 9.96% ordinary shares of Multan Real Estate (Private) Limited (MREPL), which is a dormant entity. The latest valuation was based on present market value of property of MREPL.

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

| | | Shares | | Carrying value | | Percentage of holding | |
|---|---|---|---|---|---|---|---|
| | | **30 June 2021** | 30 June 2020 | **30 June 2021** | 30 June 2020 | **30 June 2021** | 30 June 2020 |
| | *Note* | ----Number---- | | ----Rupees---- | *Restated* | | |
| Fatima Energy Limited - *unquoted* | *18.2* | **-** | 108,300,000 | **-** | 696,130,834 | **0.00%** | 19.00% |
| Fatima Transmission Company Limited - *unquoted* | *18.4.1* | **5,520,000** | 5,520,000 | **-** | 3,591,200 | **24.00%** | 24.00% |
| Fatima Electric Company Limited - *unquoted* | *18.4.2* | **7,000** | 7,000 | **11,605** | 17,605 | **20.00%** | 20.00% |
| | | **5,527,000** | 113,827,000 | **11,605** | 699,739,639 | | |

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

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

**18.5** Investments of the Company in associated companies has been accounted for under equity method of accounting based on its un-audited management financial statements for the year ended 30 June 2021.

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

| | | 2021 | | |
|---|---|---|---|---|
| | | **FEL (Un-audited - 20 Sep 2020)** | **FTCL (Un-audited)** | **FECL (Un-audited)** |
| | *Note* | **Rupees** | | |
| Cost of investment | | **1,083,000,000** | **55,200,000** | **70,000** |
| Impact of discounting | *19.1* | **415,201,774** | **-** | **-** |
| | | **1,498,201,774** | **55,200,000** | **70,000** |
| ***Company`s share of loss - post acquisition :*** | | | | |
| Balance at 01 July | | **(802,070,940)** | **(51,608,800)** | **(52,395)** |
| *Statement of profit or loss* | | | | |
| - share of loss | *35* | **(43,278,960)** | **(3,591,200)** | **(6,000)** |
| - share of tax | | **-** | **-** | **-** |
| | | **(43,278,960)** | **(3,591,200)** | **(6,000)** |
| | | **(845,349,900)** | **(55,200,000)** | **(58,395)** |
| **Net investment at 20 September 2020 / 30 June 2021** | | **652,851,874** | **-** | **11,605** |

| | | 2020 | | |
|---|---|---|---|---|
| | | FEL (Audited) | FTCL (Audited) | FECL (Audited) |
| | | Rupees | | |
| | | *Restated* | | |
| Cost of investment | | 1,374,213,490 | 55,200,000 | 70,000 |
| Impact of discounting | | 415,201,774 | - | - |
| | | 1,789,415,264 | 55,200,000 | 70,000 |
| *Company`s share of loss - post acquisition :* | | | | |
| Balance at 01 July | | (148,670,730) | (29,124,332) | (46,395) |
| *Statement of profit or loss* | | | | |
| - share of loss | *35* | (861,900,735) | (22,484,468) | (6,000) |
| - share of tax | | - | - | - |
| | | (861,900,735) | (22,484,468) | (6,000) |
| Share of other comprehensive income | | - | - | - |
| Balance at 30 June | | (1,010,571,465) | (51,608,800) | (52,395) |
| *Carrying amount* | | 778,843,799 | - | - |
| Cost of investment disposed off | | (291,213,490) | - | - |
| Related share of loss | | 208,500,525 | - | - |
| Carrying amount of equity instruments disposed off | | (82,712,965) | - | - |
| Net investment at 30 June | | 696,130,834 | 3,591,200 | 17,605 |

**18.5.2** Summarized financial information in respect of associated companies on the basis of financial statements for the year ended 30 June 2021 and 2020 are set out below:

| | 2021 | |
|---|---|---|
| | **FTCL (Un-audited)** | **FECL (Un-audited)** |
| | ---------- Rupees ---------- | |
| Non current assets | **716,222,062** | **-** |
| Current assets | **17,501,346** | **88,025** |
| Non current liabilities | **(263,158,347)** | **-** |
| Current liabilities | **(513,247,187)** | **(30,000)** |
| Net assets - 100% | **(42,682,126)** | **58,025** |
| Percentage ownership interest | **24.00%** | **20.00%** |
| Company's share of net assets | **-** | **11,605** |
| Carrying amount of interest in associated company | **-** | **11,605** |
| Loss for the year from operations | **(14,963,333)** | **(30,000)** |
| Other comprehensive loss | **-** | **-** |
| | **(14,963,333)** | **(30,000)** |
| Company's share of - *post acquisition* | **(3,591,200)** | **(6,000)** |

| | 2020 | | |
|---|---|---|---|
| | FEL (Audited) | FTCL (Audited) | FECL (Audited) |
| | ---------- Rupees ---------- | | |
| | ---------- *Restated* ---------- | | |
| Non current assets | 29,542,160,000 | 717,699,504 | - |
| Current assets | 1,343,046,000 | 1,326,486 | 118,025 |
| Non current liabilities | (19,404,586,000) | (289,474,136) | - |
| Current liabilities | (10,002,046,000) | (414,588,521) | (30,000) |
| Net assets - 100% | 1,478,574,000 | 14,963,333 | 88,025 |
| Percentage ownership interest | 19.00% | 24.00% | 20.00% |
| Company's share of net assets | 280,929,060 | 3,591,200 | 17,605 |
| Impact of discounting | 415,201,774 | - | - |
| | 696,130,834 | 3,591,200 | 17,605 |
| Carrying amount of interest in associated company | 696,130,834 | 3,591,200 | 17,605 |
| Loss for the year from operations | (3,604,168,000) | (93,685,284) | (30,000) |
| Share of tax | - | - | - |
| Other comprehensive income | - | - | - |
| | (3,604,168,000) | (93,685,284) | (30,000) |
| Company's share of - *post acquisition* | (861,900,735) | (22,484,468) | (6,000) |

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **19 Long term loan and advances** | | | |
| Fatima Energy Limited - *related party* | *19.1* | **3,249,360,788** | 2,635,370,514 |
| Fatima Transmission Company Limited - *associate* | *19.2* | **112,019,033** | 72,427,033 |
| Pak Arab Energy Limited - *associate* | | **25,904,160** | 25,904,160 |
| | | **3,387,283,981** | 2,733,701,707 |
| Less: Loss allowance for the year | *25.1* | **(25,904,160)** | - |
| | *19.3* | **3,361,379,821** | 2,733,701,707 |

**19.1 Fatima Energy Limited**

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| ***Gross amount*** | | | |
| Balance as at 01 July | | **2,497,908,522** | 1,840,408,522 |
| Disbursement during the year | | **640,832,000** | 657,500,000 |
| Total disbursements | | **3,138,740,522** | 2,497,908,522 |
| Markup accrued thereon - *interest free* | | **813,882,074** | 552,663,766 |
| Balance as at 30 June | | **3,952,622,596** | 3,050,572,288 |
| ***Impact of discounting*** | | | |
| Balance as at 01 July | | **(415,201,774)** | - |
| Present value adjustment - *cost of investment* | | **(17,089,379)** | (415,201,774) |
| Present value adjustment - *profit or loss* | *19.1.2* | **(352,911,823)** | - |
| Unwinding of discount | | **81,941,168** | - |
| Balance as at 30 June | | **(703,261,808)** | (415,201,774) |
| Net Balance as at 30 June | *19.1.1* | **3,249,360,788** | 2,635,370,514 |

**19.1.1** Pursuant to restructuring of FEL's borrowings with financial institutions along with related subordination of borrowings from sponsors, the Company had entered into a restructuring agreement with FEL for rescheduling the repayment of principal and related markup as approved by the Board of Directors of both the companies. As per the revised agreement, principal and markup accrued are subordinated and are now repayable from financial year 2027. Accordingly, markup accrued from FEL has been classified as non-current. The loan and related markup (interest free) have been measured at fair value by discounting the cash flows at the rate of average borrowing cost of the Company 8.94% and the resulting adjustment was included in the cost of investment.

**19.1.2** This includes impact of change in timing of estimated cash flows on aforesaid loan receivable from FEL. The revised gross carrying amount of the financial asset is recalculated by discounting the revised estimated future cash flows at the instruments original effective rate. The corresponding expense is recognized in statement of profit or loss.

**19.2 Fatima Transmission Company Limited**

| | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|
| ***Gross amount*** | | |
| Balance as at 01 July | **72,427,033** | 38,811,585 |
| Disbursement during the year | **39,592,000** | 33,615,448 |
| Markup accrued thereon - *interest free* | **28,308,810** | - |
| Present value adjustment - *profit or loss* | **(28,308,810)** | - |
| Net Balance as at 30 June | **112,019,033** | 72,427,033 |

**19.3** These represents loans disbursed to meet the working capital requirements, operational/ capital nature needs of the associated companies. These loans carries markup at the rate of average borrowing cost of the Company. Effective markup rate charged by the Company during the year ranges from 8.82% to 9.03% per annum (2020: 9.86% to 15.31% per annum). As per the agreements, these loans along with related markup are repayable within 10 years from the date of disbursement starting from financial year 2027.

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

| | **2021** | 2020 | **2021** | 2020 |
|---|---|---|---|---|
| | **Month** | Month | **Rupees** | Rupees *Restated* |
| Pak Arab Energy Limited | **Jun-21** | Jul-19 | **25,904,160** | 25,904,160 |
| Fatima Transmission Company Limited | **Jun-21** | Feb-20 | **112,019,033** | 72,427,033 |
| Fatima Energy Limited | **Jun-21** | Jun-20 | **3,138,740,522** | 2,497,908,522 |

| | Note | **2021** | 2020 |
|---|---|---|---|
| | | **Rupees** | Rupees *Restated* |
| **20 Stores, spares and loose tools** | | | |
| Stores | | **190,602,704** | 138,994,090 |
| Spares [ In-transit: Rs. 92.06 million (2020: 95.18 million) | | **661,109,084** | 561,916,567 |
| Loose tools | | **431,211** | 298,108 |
| | | **852,142,999** | 701,208,765 |
| Provision for slow moving items | | **(1,770,316)** | (1,770,316) |
| | | **850,372,683** | 699,438,449 |
| **21 Stock-in-trade** | | | |
| Raw material [In-transit: Rs. 2,572.58 million (2020: Rs 672.30 million)] | | **11,553,085,484** | 9,441,518,946 |
| Work-in-process | | **501,212,180** | 439,889,015 |
| Finished goods | | | |
| Yarn | *21.1* | **2,890,010,290** | 3,817,096,653 |
| Fabric | | **526,094,322** | 805,338,028 |
| | | **3,416,104,612** | 4,622,434,681 |
| | | **15,470,402,276** | 14,503,842,642 |

**21.1** An amount of Rs. Nil (2020: Rs. 28 million) has been charged in the statement of profit or loss, on closing stock of yarn, as an adjustment of net realizable value (NRV) in accordance with the requirements of IAS 2.

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| 22 | **Trade debts** | | | |
| | *Export debtors - secured against letters of credit:* | | | |
| | Considered good | | **1,033,603,141** | 1,820,507,561 |
| | *Local debtors - unsecured* | | | |
| | Related parties - *considered good* | *22.1 & 22.2* | **410,464,121** | 293,998,651 |
| | Others - *considered good* | | **3,293,482,350** | 3,031,074,635 |
| | Others - *considered doubtful* | | **24,559,349** | 40,337,838 |
| | | | **3,728,505,820** | 3,365,411,124 |
| | Allowance for impairment of trade debts | *22.4* | **(24,559,349)** | (40,337,838) |
| | | | **4,737,549,612** | 5,145,580,847 |

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

| | 2021 | 2020 |
|---|---|---|
| Reliance Weaving Mills Limited | **19,263,397** | 19,158,901 |
| Fazal Rehman Fabrics Limited | **391,200,724** | 274,839,750 |
| | **410,464,121** | 293,998,651 |

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

| | 2021 Month | 2020 Month | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| Fazal Rehman Fabrics Limited | **Aug-20** | Apr-20 | **1,039,377,349** | 930,701,299 |
| Reliance Weaving Mills Limited | **Aug-20** | May-20 | **42,132,164** | 26,081,856 |

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

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| Not yet due | | **226,415,013** | 96,883,649 |
| 1 to 30 days | | **183,837,647** | 162,594,397 |
| 30 to 150 days | | **211,464** | 32,723,214 |
| 150 days and above | | **-** | 1,797,391 |
| | | **410,464,124** | 293,998,651 |

**22.4** The movement in loss allowance of trade debts is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance as at 01 July | **40,337,838** | 28,943,784 |
| (Reversal) / provision of loss allowance | **(15,778,489)** | 11,394,054 |
| Balance as at 30 June | **24,559,349** | 40,337,838 |

**23 Loans and advances**

***Considered good***

| | Note | 2021 | 2020 |
|---|---|---|---|
| Advances to suppliers and contractors - *unsecured* | *23.1* | **195,355,645** | 190,848,652 |
| Advances to employees against salaries - *secured* | | **2,041,128** | 1,179,435 |
| LC deposits for imports | | **28,575,888** | 12,502,087 |
| | | **225,972,661** | 204,530,174 |

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

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **24** | **Deposits, prepayments and other receivable** | | | |
| | Deposits against LC retirement | | **28,942,324** | 13,162,153 |
| | Prepayments | | **254,497** | 814,654 |
| | Foreign exchange forward contracts - *mark to market* | | **13,653,940** | - |
| | Import claim receivable from supplier | | **73,661,617** | 51,445,397 |
| | Duty drawback receivable | *24.1* | **-** | 259,472,978 |
| | Dividend receivable - *Fatima Fertilizer Company Limited* | | **-** | 138,228,062 |
| | Other receivable | | **3,912,520** | 2,311,516 |
| | | | **120,424,898** | 465,434,760 |

**24.1** This represent Duty Drawback receivable on exports under Duty Drawback of Taxes Order 2017-2018 allowed by the Ministry of Textile under the Prime Minister's package of incentives for exporters which was applicable till 30 June 2018. This amount have been received during the year.

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **25** | **Mark-up accrued** | | | |
| | Mark-up accrued on: | | | |
| | Fatima Energy Limited - *FEL* | | **-** | 552,663,766 |
| | Associated Companies - *others* | | **39,600,625** | 29,338,656 |
| | Transferred to long term loans and advances | *19.1* | **(28,308,810)** | (552,663,766) |
| | | | **11,291,815** | 29,338,656 |
| | Less: Loss allowance on markup accrued | *25.1* | **(11,291,815)** | - |
| | | *25.2* | **-** | 29,338,656 |

**25.1** This represents loss allowance on principal and markup balance of advance to Associated Company (Pak Arab Energy Limited) in accordance with the requirements of IFRS 9.

**25.2** Mark-up is accrued on the basis as described in note 19.3 of these financial statements.

| | | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **26** | **Short term investment** | | |
| | <u>Investment at fair value through profit or loss</u> | | |
| | *Fatima Fertilizer Company Limited - quoted* | | |
| | *6,120,000 (2020: 6,120,000) fully paid ordinary shares of Rs. 10 each Equity held 0.29% (2020: 0.29%)* | **175,950,000** | 163,587,600 |

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

| | | |
|---|---|---|
| Market value as at 01 July | **163,587,600** | 182,682,000 |
| Unrealized fair value gain / (loss) on re-measurement of investment | **12,362,400** | (19,094,400) |
| Market value as at 30 June | **175,950,000** | 163,587,600 |

**26.2** FFCL is an associated undertaking of the Company as per the Companies Act 2017, however, for the purpose of measurement it has been classified as investment at fair value through profit or loss. The Company does not have significant influence on FFCL. The share of FFCL are pledged with the bank.

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **27** | **Tax refunds due from the Government -** ***net*** | | | |
| | Sales tax | | **567,557,951** | 241,713,833 |
| | Income tax - *net* | | **450,320,360** | 71,989,279 |
| | | | **1,017,878,311** | 313,703,112 |
| **28** | **Cash and bank balances** | | | |
| | Cash in hand | | **12,531,945** | 17,990,118 |
| | Cash at banks | | | |
| | *- Current accounts* | | **143,277,062** | 280,808,769 |
| | *- Saving accounts* | *28.1* | **50,636** | 50,133 |
| | | | **143,327,698** | 280,858,902 |
| | | | **155,859,643** | 298,849,020 |

**28.1** Rate of interest and mark up on saving accounts ranges from 0.15% to 5.05% (2020: 10.00% to 11.65%) per annum.

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **29** | **Revenue from contracts with customers -** ***net*** | | | |
| | ***Local:*** | | | |
| | Yarn | | **29,173,840,568** | 22,510,731,518 |
| | Fabric | | **5,507,667,877** | 6,532,157,274 |
| | Waste | | **833,015,321** | 644,595,940 |
| | Comber noil | | **441,742,854** | 108,917,183 |
| | | | **35,956,266,620** | 29,796,401,915 |
| | Cotton and other products | | **250,473,976** | 109,250,568 |
| | | | **36,206,740,596** | 29,905,652,483 |
| | Less: | | | |
| | Sales return | | **(193,586,426)** | (159,426,213) |
| | Sales tax | | **(5,453,466,767)** | (4,462,993,859) |
| | | | **(5,647,053,193)** | (4,622,420,072) |
| | Net local sales | | **30,559,687,403** | 25,283,232,411 |
| | ***Indirect export:*** | | | |
| | Yarn | | **5,728,221,841** | 953,208,788 |
| | Fabric | | **2,217,576,182** | 15,139,723 |
| | | | **7,945,798,023** | 968,348,511 |
| | Duty and Tax Remission for Exports (DTRE) | | **1,903,973,244** | 1,701,225,998 |
| | Less: Sales tax on SPO sales | | **(1,146,266,931)** | (140,700,211) |
| | | *29.1* | **8,703,504,336** | 2,528,874,298 |
| | ***Export:*** | | | |
| | Yarn | | **11,315,359,026** | 10,477,805,309 |
| | Fabric | | **1,436,696,306** | 1,245,451,118 |
| | Comber noil | | **116,995,579** | 178,371,800 |
| | | | **12,869,050,911** | 11,901,628,227 |
| | Revenue from contracts with customers | | **52,132,242,650** | 39,713,734,936 |

**29.1** It includes sales made to direct exporters against Standard Purchase Order (SPOs) amounting to Rs. 6,799.53 million (2020: Rs 827.65 million) and DTRE to a related party under under S.R.O 185(I)/ 2001 dated 21 March 2001, amounting to Rs. 1,903.98 million (2020: Rs. 1,701.23 million)

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **30** | **Cost of sales** | | | |
| | Raw material consumed | *30.1* | **30,538,970,065** | 27,123,776,726 |
| | Power and fuel | | **3,568,223,089** | 3,468,642,431 |
| | Salaries, wages and benefits | *30.2* | **2,565,138,851** | 2,148,208,192 |
| | Depreciation on property, plant and equipment | *17.1.1* | **1,386,278,225** | 1,200,507,840 |
| | Stores and spares consumed | | **814,861,322** | 879,700,289 |
| | Packing material consumed | | **573,673,033** | 489,401,586 |
| | Freight outward charges | *30.3* | **449,121,858** | 279,241,816 |
| | Processing charges | | **433,504,539** | 9,413,278 |
| | Travelling and conveyance | | **17,316,098** | 12,994,295 |
| | Insurance | | **93,867,318** | 83,411,883 |
| | Repair and maintenance | | **41,629,039** | 51,936,841 |
| | Vehicle running and maintenance | | **20,314,827** | 18,814,216 |
| | Others | | **28,158,510** | 2,388,059 |
| | | | **40,531,056,774** | 35,768,437,452 |
| | *Work-in-process :* | | | |
| | Balance as at 01 July | | **439,889,015** | 410,363,326 |
| | Balance as at 30 June | | **(501,212,180)** | (439,889,015) |
| | | | **(61,323,165)** | (29,525,689) |
| | **Cost of goods manufactured** | | **40,469,733,609** | 35,738,911,763 |
| | *Finished goods :* | | | |
| | Balance as at 01 July | | **4,622,434,681** | 1,844,002,220 |
| | Finished goods purchased | | **2,250,012,656** | 2,099,570,058 |
| | Balance as at 30 June | | **(3,416,104,612)** | (4,622,434,681) |
| | | | **3,456,342,725** | (678,862,403) |
| | Cost of goods sold | | **43,926,076,334** | 35,060,049,360 |
| | Cost of raw material sold | | **201,176,591** | 92,451,979 |
| | | | **44,127,252,925** | 35,152,501,339 |

| | | Note | 2021 Rupees | 2020 Rupees |
|---|---|---|---|---|
| **30.1** | **Raw material consumed** | | | |
| | Raw material as at 01 July | | **9,441,518,946** | 10,778,926,771 |
| | Purchases and related expenses | | **32,650,536,603** | 25,201,914,419 |
| | Transfer from ginning unit | *30.1.1* | **-** | 584,454,482 |
| | | | **32,650,536,603** | 25,786,368,901 |
| | | | **42,092,055,549** | 36,565,295,672 |
| | Raw material as at 30 June | | **(8,980,503,347)** | (8,769,220,876) |
| | Stock-in-transit | | **(2,572,582,137)** | (672,298,070) |
| | | | **(11,553,085,484)** | (9,441,518,946) |
| | | | **30,538,970,065** | 27,123,776,726 |

| | | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| **30.1.1** | **Production cost of ginning unit - *net*** | | |
| | Raw material purchased and consumed | - | 746,701,340 |
| | Power and fuel | - | 5,934,313 |
| | Lease charges | - | 1,250,000 |
| | Salaries, wages and benefits | - | 7,554,501 |
| | Travelling and conveyance | - | 425,119 |
| | Repair and maintenance | - | 1,679,335 |
| | Store consumption | - | 1,523,800 |
| | Utilities | - | 45,158 |
| | Entertainment | - | 714,995 |
| | Rent, rate and taxes | - | 916,308 |
| | Printing and stationery | - | 54,100 |
| | Communication | - | 24,000 |
| | Insurance | - | 974,588 |
| | Others | - | 164,536 |
| | | - | 767,962,093 |
| | Sale of cotton seed | - | (183,507,611) |
| | Transferred to raw material consumed | - | 584,454,482 |

**30.1.2** The Company had acquired a cotton ginning factory from Hussain Ginneries Limited 'an associated undertaking' on lease renewable annually. Its total cost of production, after adjustment of sale of cotton seed to third parties, had been transferred to the Company as raw material cost. During current year, this factory was not operational.

**30.2** These include Rs. 116.72 million (2020: Rs. 134.09 million) in respect of staff retirement benefits.

**30.3** This includes freight on export sales amounting to Rs. 396.92 million (2020: Rs. 229.81 million) and freight on local sales amounting to Rs. 52.20 million (2020: Rs. 49.43 million).

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **31 Marketing and distribution expenses** | | | |
| *Export sales:* | | | |
| Commission | | **165,095,658** | 219,760,403 |
| Export development surcharge | | **31,254,285** | 30,987,898 |
| Insurance | | **5,035,185** | 4,052,769 |
| *Local sales:* | | | |
| Commission | | **133,914,570** | 94,240,730 |
| Salaries and benefits | *31.1* | **31,455,323** | 29,114,478 |
| Insurance | | **4,938,861** | 4,185,724 |
| | | **371,693,882** | 382,342,002 |

**31.1** These include Rs. 1.78 million (2020: Rs. 1.84 million) in respect of staff retirement benefits.

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| **32 Administrative and general expenses** | | | |
| Salaries and benefits | *32.1* | **165,486,672** | 152,672,011 |
| Depreciation on property, plant and equipment | *17.1.1* | **49,724,307** | 38,844,228 |
| Repair and maintenance | | **39,092,960** | 21,577,278 |
| Vehicle running and maintenance | | **30,489,992** | 26,714,928 |
| Rent, rates, taxes and fees | | **20,758,972** | 18,022,359 |
| Entertainment/ guest house expenses | | **19,076,570** | 16,396,031 |
| Legal and professional charges | | **16,716,450** | 9,074,877 |
| Traveling and conveyance | *32.2* | **14,719,904** | 15,106,612 |
| Communication | | **12,256,712** | 12,250,888 |
| Printing and stationery | | **10,511,209** | 10,415,063 |
| Electricity, gas and water | | **6,442,617** | 7,361,617 |
| Insurance | | **5,691,660** | 5,667,546 |
| Subscription/ advertisement | | **2,217,200** | 1,076,875 |
| Auditors' remuneration | *32.3* | **3,688,860** | 2,950,000 |
| Others | | **7,320,120** | 7,873,368 |
| | | **404,194,205** | 346,003,681 |

**32.1** These include Rs. 5.32 million (2020: Rs. 8.22 million) in respect of staff retirement benefits.

**32.2** These include Directors' traveling expense of Rs. 3.89 million (2020: Rs. 6.31 million).

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| **32.3** | **Auditors' remuneration** | | | |
| | Annual Audit fee | | **2,520,000** | 2,100,000 |
| | Half yearly review fee | | **868,965** | 550,000 |
| | Out of pocket expenses | | **299,895** | 300,000 |
| | | | **3,688,860** | 2,950,000 |

**33 Other operating expenses**

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| Workers' Profit participation fund | *12.4* | **296,382,205** | 51,639,012 |
| Present value adjustment of long term loans - *net of unwinding* | *19.1&19.2* | **299,279,465** | - |
| Workers welfare fund | *12.5* | **32,914,742** | 12,365,783 |
| Loss on disposal of property, plant and equipment | *17.2* | **7,821,431** | 10,865,594 |
| Loss allowance for the year - *net* | *19, 22.4 & 25* | **21,417,486** | 11,394,054 |
| Bad debts written off | | **8,856,776** | - |
| Unrealized loss on re-measurement of short term investments at fair value | *26.1* | **-** | 19,094,400 |
| Donations | *33.1* | **19,334,764** | 17,673,457 |
| Exchange loss - *net* | | **-** | 507,740,531 |
| | | **686,006,869** | 630,772,831 |

**33.1 Donations for the year have been given to:**

| | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|
| Nishtar Hospital Multan | *33.1.1* | **4,672,906** | - |
| Fazal Rehman Foundation | *33.1.2* | **2,569,150** | 4,652,600 |
| Friends of Cardiology Foundation Multan | *33.1.3* | **1,305,525** | 4,228,650 |
| Taary Zameen Par | *33.1.3* | **2,291,880** | 456,400 |
| All Pakistan Textile Mills Association | *33.1.4* | **500,000** | 2,050,000 |
| S.O.S Children Village Multan | | **840,000** | 840,000 |
| Al-Noor Special Children School Multan | | **-** | 600,000 |
| Zubaida Fatima Memorial Hospital | | **600,000** | |
| Others | *33.1.5* | **6,555,303** | 4,845,807 |
| | | **19,334,764** | 17,673,457 |

**33.1.1** Donations paid for the construction of main entrance and reception area at Nishtar Hospital, Multan.

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

**33.1.3** Mr. Rehman Naseem Ahmad (Chief Executive Officer) is amongst the trustees of the Friends of Cardiology Foundation Multan and Mr. Amir Naseem Sheikh is amongst the trustees of Taary Zameen Par.

**33.1.4** Donations paid to All Pakistan Textile Mills Association for COVID-19.

**33.1.5** Others' includes donations paid to various institutions. The aggregate amount paid during the year to a single institution is not exceeding 0.5 million.

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| 34 | **Other income** | | | |
| | ***Income from financial assets*** | | | |
| | Dividend income | *34.1* | **172,785,078** | 138,228,062 |
| | Mark-up on advance to FEL | | **261,218,308** | 308,039,351 |
| | Notional gain on discounting of long term payable | | **57,587,839** | - |
| | Exchange gain - *net* | *34.2* | **104,821,996** | - |
| | Gain on remeasurement of short term investment | | **12,362,400** | - |
| | Mark-up on advance to associated undertaking | | **10,261,969** | 12,633,182 |
| | Gain on disposal of equity instruments of associate | | **-** | 208,500,525 |
| | | | **619,037,590** | 667,401,120 |
| | ***From non-financial assets*** | | | |
| | Scrap sales | | **25,416,940** | 17,524,799 |
| | | | **644,454,530** | 684,925,919 |

**34.1** This represent annual dividend for the year ended 31 December 2020 declared by Fatima Fertilizer Limited 'an associated undertaking'.

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

| | 2021 Realized | 2021 Unrealized |
|---|---|---|
| Imports | **53,812,785** | **(3,838,304)** |
| Exports | **(248,172,184)** | **(4,056,546)** |
| Forward contracts | **22,338,988** | **13,653,940** |
| Foreign currency export finance | **271,083,317** | **-** |
| | **99,062,906** | **5,759,090** |

| | | Note | 2021 Rupees | 2020 Rupees Restated |
|---|---|---|---|---|
| 35 | **Share of loss from associates - *net*** | | | |
| | Share of loss from associated companies | | | |
| | - Fatima Energy Limited | *18.2.1* | **43,278,960** | 861,900,735 |
| | - Fatima Transmission Company Limited | | **3,591,200** | 22,484,468 |
| | - Fatima Electric Company Limited | | **7,010** | 6,000 |
| | | | **46,877,170** | 884,391,203 |
| 36 | **Finance cost** | | | |
| | *Mark-up based loans from conventional banks:* | | | |
| | - Long term financing - *secured* | | **738,663,264** | 1,056,870,333 |
| | - Short term borrowings - *secured* | | **606,935,834** | 1,244,092,012 |
| | | | **1,345,599,098** | 2,300,962,345 |

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| *Islamic mode of financing:* | | | |
| - Musharika - *secured* | | **262,530,431** | 388,644,357 |
| - Short term borrowings - *secured* | | **69,061,409** | 134,706,590 |
| | | **331,591,840** | 523,350,947 |
| Bank charges | | **89,157,079** | 81,331,959 |
| Interest on workers' profit participation fund | *12.4* | **17,826,070** | 28,906,392 |
| Markup on lease liability | | **10,517,581** | 10,236,151 |
| | | **1,794,691,668** | 2,944,787,794 |

## 37 Taxation

| | | |
|---|---|---|
| Current tax | | |
| - *for the year* | **241,643,314** | 547,303,207 |
| Deferred tax | | |
| - *for the year* | **(110,622,436)** | 80,054,852 |
| | **131,020,878** | 627,358,059 |

**37.1** The current tax provision represents tax under 'Normal Tax Regime (NTR)' and tax under 'Final Tax Regime (FTR)' (2020: Minimum tax on turnover and FTR) of the Income Tax Ordinance, 2001. The provision for taxation under NTR is restricted to zero after the adjustment of minimum tax on turnover paid and available for carry forward amounting to Rs. 318.73 million (2020: Rs. 1,334.09) milion under section 113 of the Ordinance. Minimum tax is available for set off for five years against normal tax liabilities arising in future years.

Tax under FTR represents tax on exports and dividened which is treated as a full and final discharge of Company's tax liability in respect of income arising from such sources.

**37.2** Numerical reconciliation between tax expense and accounting profit:

| | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|
| Profit before tax | **5,562,777,587** | 57,862,005 |
| Applicable tax rate | **29%** | 29% |
| Tax at the applicable tax rate | **1,613,205,500** | 16,779,981 |
| *Tax effect of amounts that are:* | | |
| - Change in proration rate and tax rate | **(24,916,945)** | 7,648,557 |
| - Difference between normal tax and minimum tax / final tax regime | **(396,598,047)** | 598,530,537 |
| - Tax credit for minimum tax previously not recognized | **(993,697,399)** | - |
| - Deferred tax asset not recognized - net | **(49,276,787)** | |
| - Permanent differences | **(17,022,327)** | 5,235,561 |
| - Others | **(673,117)** | (836,577) |
| Tax charged to statement of profit or loss | **131,020,878** | 627,358,059 |

## 38 Earnings per share - *basic and diluted*

### 38.1 Basic earnings per share

| | | | |
|---|---|---|---|
| Profit / (loss) after taxation | ***Rupees*** | **5,431,756,709** | (569,496,054) |
| Weighted average number of ordinary shares | ***No. of shares*** | **30,000,000** | 30,000,000 |
| Earnings / (loss) per share | ***Rupees*** | **181.06** | (18.98) |

### 38.2 Diluted earnings per share

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

**39 Fair value measurement of financial instruments**

**A. Accounting classifications and fair values**

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

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

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

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

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

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

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

| | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Fair value through Profit or loss | Fair value through OCI | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2021** | Rupees | | | | | | | | |
| ***Financial assets - measured at fair value*** | | | | | | | | | |
| Short term investment | - | 175,950,000 | - | - | 175,950,000 | 175,950,000 | - | - | 175,950,000 |
| Long term investments | - | - | 2,567,967,251 | - | 2,567,967,251 | 1,811,078,391 | - | 756,888,860 | 2,567,967,251 |
| ***Financial assets - measured at amortized cost*** | | | | | | | | | |
| Trade debts | 4,737,549,612 | - | - | - | 4,737,549,612 | - | - | - | - |
| Cash and bank balances | 155,859,643 | - | - | - | 155,859,643 | - | - | - | - |
| Long term deposits | 24,128,493 | - | - | - | 24,128,493 | - | - | - | - |
| Other receivable | 120,424,898 | - | - | - | 120,424,898 | - | - | - | - |
| Mark-up accrued | - | - | - | - | - | - | - | - | - |
| Long term loans and advances | 3,361,379,821 | - | - | - | 3,361,379,821 | - | - | - | - |
| | 8,399,342,467 | 175,950,000 | 2,567,967,251 | - | 11,143,259,718 | 1,987,028,391 | - | 756,888,860 | 2,743,917,251 |
| ***Financial liabilities - measured at amortized cost*** | | | | | | | | | |
| Long term financing - *secured* | - | - | - | 13,730,468,142 | 13,730,468,142 | - | - | - | - |
| Long term musharika - *secured* | - | - | - | 2,627,600,636 | 2,627,600,636 | - | - | - | - |
| Long term payable - *GIDC* | - | - | - | 304,498,376 | 304,498,376 | - | - | - | - |
| Trade and other payables | - | - | - | 3,520,087,092 | 3,520,087,092 | - | - | - | - |
| Lease liability - *unsecured* | - | - | - | 72,906,099 | 72,906,099 | - | - | - | - |
| Unclaimed dividend | - | - | - | 18,946,571 | 18,946,571 | - | - | - | - |
| Short term borrowings - *secured* | - | - | - | 6,007,110,905 | 6,007,110,905 | - | - | - | - |
| Accrued mark-up | - | - | - | 299,113,187 | 299,113,187 | - | - | - | - |
| | - | - | - | 26,580,731,008 | 26,580,731,008 | - | - | - | - |

| | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Fair value through Profit or loss | Fair value through OCI | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | | | | | | | | |
| | *Restated* | | | | | | | | |
| As at 30 June 2020 | | | | | | | | | |
| *Financial assets - measured at fair value* | | | | | | | | | |
| Short term investment | - | 163,587,600 | - | - | 163,587,600 | 163,587,600 | - | - | 163,587,600 |
| Long term investments | - | - | 1,717,188,503 | - | 1,717,188,503 | 1,683,830,449 | - | 33,358,054 | 1,717,188,503 |
| *Financial assets - measured at amortized cost* | | | | | | | | | |
| Trade debts | 5,145,580,847 | - | - | - | 5,145,580,847 | - | - | | - |
| Cash and bank balances | 298,849,020 | - | - | - | 298,849,020 | - | - | - | - |
| Long term deposits | 24,128,493 | - | - | - | 24,128,493 | - | - | - | - |
| Other receivable | 465,434,760 | - | - | - | 465,434,760 | - | - | - | - |
| Mark-up accrued | 29,338,656 | - | - | - | 29,338,656 | - | - | - | - |
| Long term advances | 2,733,701,707 | - | - | - | 2,733,701,707 | - | - | - | - |
| | 8,697,033,483 | 163,587,600 | 1,717,188,503 | - | 10,577,809,586 | 1,847,418,049 | - | 33,358,054 | 1,880,776,103 |
| *Financial liabilities - measured at amortized cost* | | | | | | | | | |
| Long term financing - *secured* | - | - | - | 12,392,810,608 | 12,392,810,608 | - | - | - | - |
| Long term musharika - *secured* | - | - | - | 2,897,859,414 | 2,897,859,414 | - | - | - | - |
| Trade and other payables | - | - | - | 2,718,107,798 | 2,718,107,798 | - | - | - | - |
| Lease liability | - | - | - | 71,173,118 | 71,173,118 | - | - | - | - |
| Unclaimed dividend | - | - | - | 13,748,423 | 13,748,423 | - | - | - | - |
| Short term borrowings - *secured* | - | - | - | 11,537,224,217 | 11,537,224,217 | - | - | - | - |
| Accrued mark-up | - | - | - | 517,191,250 | 517,191,250 | - | - | - | - |
| | - | - | - | 30,148,114,828 | 30,148,114,828 | - | - | - | - |

**39.1 Fair value measurement of financial instruments**

**B. Measurement of fair values**

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

The following table shows valuation techniques used in measuring Level 3 fair values for financial instruments of financial position, as well as the significant unobservable inputs used. Related valuation process are described in note 2.4.

Financial instruments measured at fair value

| **Type** | **Valuation technique** | **Significant unobservable inputs** | **Inter-relationship between significant unobservable inputs and fair value measurement** |
|---|---|---|---|
| Long term investments<br>- Fatima Energy Limited | Income approach: The valuation model considers the present value of the expected future payments, discounted using risk-adjusted discount rate. | - Expected cash flows ( Rs. nil to Rs. 5,288 million)<br>- Risk-adjusted discount rate (24.42%)<br>- Specific risk premium (2.00%) | The estimated fair value would increase (decrease) if:<br>- the expected cash flows were higher (lower); or<br>- the risk-adjusted discount rate were lower (higher). |
| Long term investments<br>- Multan Real Estate (Private) Limited | Market comparison technique: The valuation is based on market multiples derived from comparable investments/properties, adjusted for the effect of non-marketability of the equity securities. | - Adjusted market multiple based on investments of similar nature, location and condition. | The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower). |

***II. Level 3 recurring fair values***

Reconciliation of Level 3 fair values

| The following table shows a reconciliation from opening balances to the closing balances for Level 3 fair values. | **2021**<br>**Rupees** | 2020<br>Rupees<br>*Restated* |
|---|---|---|
| Balance at 01 July | **-** | - |
| Additions / Transfers | **669,941,253** | - |
| Fair value adjustment on transition from equity accounting to FVOCI recognized in profit or loss | **216,797,126** | - |
| Fair value loss recognized in Statement of Comprehensive Income | **(166,543,379)** | - |
| Balance as at 30 June | **720,195,000** | - |
| **Long term investments - Multan Real Estate (Private) Limited** | | |
| Balance at 01 July | **33,358,054** | 30,381,647 |
| Fair value gain | **3,335,806** | 2,976,407 |
| Balance as at 30 June | **36,693,860** | 33,358,054 |

**Sensitivty analysis**

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

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Long term investments** | | | Long term investments | | |
| | **Change in assumption Percentage** | **Increase in assumption** | **Decrease in assumption** | Change in assumption Percentage | Increase in assumption | Decrease in assumption |
| | | **---------- Rupees ----------** | | | ---------- Rupees ---------- | |
| **As at 30 June 2021** | | | | | | |
| Expected cash flows | **10.00%** | **311,842,517** | **(315,375,592)** | 1.00% | - | - |
| Risk adjusted discount rate | **1.00%** | **(83,620,273)** | **92,430,783** | 1.00% | - | - |

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

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

**40 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

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

**40.1 Risk management framework**

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

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

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

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

**40.2 Credit risk**

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

Total financial assets of Rs. 11,130 million (2020: Rs. 10,560 million) are subject to credit risk.

***Exposure to credit risk***

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

| | **2021** | 2020 |
|---|---|---|
| | **Rupees** | Rupees |
| ***Financial assets at FVOCI*** | | *Restated* |
| Long term investments | **2,567,967,251** | 1,717,188,503 |
| ***Financial assets at FVTPL*** | | |
| Short term investment | **175,950,000** | 163,587,600 |
| ***Financial assets at amortized cost*** | | |
| Trade debts | **4,737,549,612** | 5,145,580,847 |
| Long term loan and advances | **3,361,379,821** | 2,733,701,707 |
| Bank balances | **143,327,698** | 280,858,902 |
| Other receivable | **120,424,898** | 465,434,760 |
| Mark-up accrued | **-** | 29,338,656 |
| Long term deposits | **24,128,493** | 24,128,493 |
| | **8,386,810,522** | 8,679,043,365 |
| | **11,130,727,773** | 10,559,819,468 |

**40.2 (a) *Other financial assets***

The credit quality of Company's investments can be assessed with reference to external credit rating agencies as follows:

| *Financial assets at FVOCI* | Rating | 2021<br>Rupees | 2020<br>Rupees<br>*Restated* |
|---|---|---|---|
| Fatima Fertilizers Company Limited | AA- | **1,811,078,391** | 1,683,830,449 |
| Multan Real Estate (Private) Limited | N/A | **36,693,860** | 33,358,054 |
| Fatima Energy Limited | N/A | **720,195,000** | - |
| | | **2,567,967,251** | 1,717,188,503 |
| *Financial assets at FVTPL* | | | |
| Fatima Fertilizers Company Limited | AA- | **175,950,000** | 163,587,600 |
| | | **5,311,884,502** | 3,597,964,606 |

**40.2 (b) *Counterparties with external credit rating***

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

| Bank | Rating | | Rating agency | 2021 | 2020 |
|---|---|---|---|---|---|
| | Short term | Long term | | Rupees | Rupees<br>*Restated* |
| Allied Bank Limited | A-1+ | AAA | PACRA | **4,700,947** | 3,442,383 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | **11,831,103** | 6,167,221 |
| MCB Bank Limited | A-1+ | AAA | PACRA | **5,295,707** | 6,817,533 |
| Meezan Bank Limited | A-1+ | AA+ | JCR-VIS | **236,901** | 34,569,158 |
| UBL Bank Limited | A-1+ | AAA | JCR-VIS | **9,313,422** | 2,392,788 |
| Standard Chartered Bank Pakistan Limited | A-1+ | AAA | PACRA | **2,399,865** | 1,470,476 |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS | **14,599,610** | 42,337,155 |
| Soneri Bank Limited | A-1+ | AA- | PACRA | **14,267,848** | 1,946,540 |
| Bank Al Falah Limited | A-1+ | AA+ | PACRA | **42,281,934** | 26,910,177 |
| Askari Bank Limited | A-1+ | AA+ | PACRA | **1,570,275** | 10,165,776 |
| The Bank of Punjab | A-1+ | AA | PACRA | **9,399,951** | 111,751,928 |
| The Bank of Khyber | A-1 | A | PACRA | **1,449,046** | 794,223 |
| Bank Al Habib Limited | A-1+ | AA+ | PACRA | **8,427,412** | 2,047,699 |
| Bank Islamic Limited | A-1 | A+ | PACRA | **11,339,332** | 2,323,669 |
| Dubai Islamic Bank Pakistan Limited | A-1+ | AA | JCR-VIS | **588,793** | 1,724,895 |
| Habib Metropolitan Bank Limited | A-1+ | AA+ | PACRA | **246,797** | 1,590,290 |
| Faysal Bank Limited | A-1+ | AA | PACRA | **298,242** | 12,440,263 |
| Samba Bank Limited | A-1 | AA | JCR-VIS | **5,310** | 660 |
| Silk Bank Limited | A-2 | A- | JCR-VIS | **73,295** | 73,295 |
| AlBaraka Bank Pakistan Limited | A-1 | A | PACRA | **141,872** | 8,200,572 |
| Summit Bank Limited | Not available | Not available | JCR-VIS | **1,946,241** | 819,180 |
| JS Bank Limited | A-1+ | AA- | PACRA | **1,525,535** | 2,873,021 |
| Industrial Commercial Bank of China | Not available | Not available | JCR-VIS | **1,388,260** | - |
| | | | | **143,327,698** | 280,858,902 |

**40.2 (c) *Counterparties without external credit rating***

These mainly include customers which are counter parties to local and foreign trade debts against sale of yarn and fabric. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. The management uses an allowance matrix to base the calculation of ECL of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'role rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. The Company has used two years quarterly data in the calculation of historical loss rates along with the matching quarterly ageing brackets for the computation of roll rates. These rates are multiplied by scalar factors to reflect the effect of forward looking macro economic factors. Out of total trade debts of Rs. 4,762.11 million (2020: Rs. 5,185.92 million), Rs. 1033.60 million (2020: Rs. 1,820.51 million) are secured against letter of credits. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2021 was determined as follows:

| The aging of trade debts at the reporting date is: | 2021 Gross carrying amount | 2021 Loss Allowance | 2020 Gross carrying amount | 2020 Loss Allowance |
|---|---|---|---|---|
| | ---------- **Rupees** ---------- | | ---------- Rupees ---------- <br> ---------- *Restated* ---------- | |
| *Export debtors - secured* | | | | |
| Not past due | 1,033,603,141 | - | 1,820,507,561 | - |
| *Local debtors* | | | | |
| Not past due | **2,860,540,132** | **1,527,509** | 2,391,918,363 | 919,023 |
| Past due | | | | |
| 1- 90 days | **791,692,998** | **1,287,170** | 744,401,802 | 632,122 |
| 91 - 180 days | **39,718,436** | **467,080** | 161,764,982 | 2,748,643 |
| 181 - 270 days | **10,721,274** | **3,147,427** | 20,519,026 | 6,968,697 |
| 271 - 365 days | **11,316,900** | **5,009,896** | 20,519,026 | 8,992,032 |
| 366 - above days | **14,516,080** | **13,120,267** | 26,287,925 | 20,077,321 |
| | **4,762,108,961** | **24,559,349** | 5,185,918,685 | 40,337,838 |

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

Credit risk on loans and advances and related markup accrued from related parties are measured under General Approach based on assessment of factors related to increase in significant risk and impairment and reporting date. These loans have given to related parties to meet their operational and financial needs after approval of shareholders and the board of directors after converting the business case, financial vulnerability and credit worthiness. The management assessment includes review of financial statements, external rating, industry information, availability of capital from external lender, sponsor support etc. The management believes that these related party advances have low credit risk based on sponsor support and external credit rating of counterparties' parents.

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

***40.2 (d)*** **Concentration of credit risk**

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

**40.3 Liquidity risk**

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

***Exposure to liquidity risk***

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

| | Weighted average effective rate of interest | 2021 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Carrying value | Contractual cash flows | Less than one year | One to five years | Above five years | Total |
| | | Rupees | | | | | |
| ***Financial liabilities*** | | | | | | | |
| Long term financing | **1.50% to 14.49%** | **16,358,068,778** | **19,045,635,793** | **4,513,514,705** | **11,365,521,899** | **3,166,599,189** | **19,045,635,793** |
| Short term borrowings | **1.00% to 13.75%** | **6,007,110,905** | **6,065,883,428** | **6,065,883,428** | **-** | **-** | **6,065,883,428** |
| Lease liability | | **72,906,099** | **154,004,291** | **9,663,060** | **49,330,888** | **95,010,343** | **154,004,291** |
| Long term payable - *GIDC* | | **304,498,376** | **304,498,376** | **-** | **304,498,376** | **-** | **304,498,376** |
| Trade and other payables | | **3,520,087,092** | **3,520,087,092** | **3,520,087,092** | **-** | **-** | **3,520,087,092** |
| Unclaimed dividend | | **18,946,571** | **18,946,571** | **18,946,571** | **-** | **-** | **18,946,571** |
| Accrued markup | | **299,113,187** | **299,113,187** | **299,113,187** | **-** | **-** | **299,113,187** |
| | | **26,580,731,008** | **29,408,168,738** | **14,427,208,043** | **11,719,351,163** | **3,261,609,532** | **29,408,168,738** |

| | Weighted average effective rate of interest | 2020 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Carrying value | Contractual cash flows | Less than one year | One to five years | Above five years | Total |
| | | Rupees | | | | | |
| | | *Restated* | | | | | |
| *Financial liabilities* | | | | | | | |
| Long term financing | 1.50% to 16.22% | 15,290,670,022 | 18,234,762,082 | 1,880,368,443 | 12,239,727,624 | 4,114,666,015 | 18,234,762,082 |
| Short term borrowings | 1.88% to 15.21% | 11,537,224,217 | 11,724,663,618 | 11,724,663,618 | - | - | 11,724,663,618 |
| Lease liability | | 71,173,118 | 162,788,885 | 8,784,600 | 58,993,945 | 95,010,340 | 162,788,885 |
| Trade and other payables | | 2,718,107,798 | 2,718,107,798 | 2,718,107,798 | - | - | 2,718,107,798 |
| Unclaimed dividend | | 13,748,423 | 13,748,423 | 13,748,423 | - | - | 13,748,423 |
| Accrued markup | | 517,191,250 | 517,191,250 | 517,191,250 | - | - | 517,191,250 |
| | | 30,148,114,828 | 33,371,262,056 | 16,862,864,132 | 12,298,721,569 | 4,209,676,355 | 33,371,262,056 |

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

**40.4 Market risk**

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

**40.4.1 Currency risk**

Pakistani Rupee is the functional currency of the Company and exposure arises from transactions and balances in currencies other than Pakistani Rupee as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprises of:

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

***Transactional exposure in respect of non functional currency monetary items***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Transactional exposure in respect of non functional currency expenditure and revenues***

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to rupee equivalent, and the associated gain or loss is taken to the statement of profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

***Exposure to currency risk***

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

| | **2021 Rupees** | 2020 Rupees *Restated* |
|---|---|---|
| ***Statement of financial position items*** | | |
| Finance against imported merchandise | **89,379,886** | - |
| Foreign currency export finance | **-** | 3,779,169,695 |
| Foreign debtors | **(1,033,603,141)** | (1,820,507,561) |
| Gross exposure | **(944,223,255)** | 1,958,662,134 |
| ***Off statement of financial position items*** | | |
| Outstanding letters of credit | **7,766,596,573** | 1,869,056,683 |
| Commitments in respect of foreign exchange forward contracts | **1,178,466,000** | 1,096,875,000 |
| Net exposure | **8,000,839,318** | 4,924,593,817 |

The following significant exchange rate has been applied:

Average and spot rate

| | Average rate | | Spot rate | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | Rupees | | Rupees | |
| USD to Rupee | **156.37** | 158.21 | **157.54** | 168.05 |

***Sensitivity analysis:***

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances and foreign debtors.

| ***Effect on statement of profit or loss*** | **2021 Rupees** | 2020 Rupees *Restated* |
|---|---|---|
| USD to Rupee | **800,083,932** | 492,459,382 |

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

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

***Currency risk management***

Since the maximum amount exposed to currency risk is only 11.92% (2020: 8.92%) of the Company's total assets, any adverse/ favorable movement in functional currency with respect to US dollar will not have any material impact on the operational results.

**40.4.2 Interest rate risk**

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

| | **2021** | 2020 | **2021** | 2020 |
|---|---|---|---|---|
| | **Effective rate (in Percentage)** | | **Carrying amount (Rupees)** | |
| ***40.4.2 (a) Financial Instruments*** | | | | |
| ***Financial liabilities*** | | | | |
| *Fixed rate instruments:* | | | | |
| Long term loan | **1.50 - 3.75** | 1.50 - 3.25 | **7,014,895,751** | 6,055,951,935 |
| *Variable rate instruments:* | | | | |
| Long term loan | **7.24 - 14.49** | 7.89 - 16.22 | **9,343,173,027** | 9,234,718,087 |
| Short term borrowings | **1.00 - 13.75** | 1.88 - 15.21 | **6,007,110,905** | 11,537,224,217 |
| ***Financial assets*** | | | | |
| *Variable rate instruments:* | | | | |
| Advance to associated company | **8.82 - 9.03** | 9.86 - 15.31 | **3,361,379,821** | 2,733,701,707 |
| Saving accounts | **0.15 - 5.50** | 10.00 - 11.65 | **50,636** | 50,133 |

***40.4.2 (b) Fair value sensitivity analysis for fixed rate instruments***

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

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

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

| | Profit or loss | |
|---|---|---|
| | **100 bps Increase** | 100 bps Decrease |
| | **- - - - - - - - Rupees** | **- - - - - - - -** |
| **As at 30 June 2021** | **153,502,333** | **(153,502,333)** |
| As at 30 June 2020 | 212,344,921 | (212,344,921) |

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

***40.4.2 (d) Interest rate risk management***

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

**40.5 Other price risk**

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

***Sensitivity analysis***

The table below summarizes the Company’s equity price risk as of 30 June 2021 and 2020 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in the Company’s equity investment portfolio.

| | 2021 | | | |
|---|---|---|---|---|
| | **Fair value** | **Price change** | **Estimated fair value after change in prices** | **Increase (decrease) in profit or (loss)/ equity** |
| | ----------Rupees---------- | | | |
| Financial assets at fair value through profit or loss | **175,950,000** | **10% increase** | **193,545,000** | **17,595,000** |
| | | **10% decrease** | **158,355,000** | **(17,595,000)** |
| Financial assets at fair value through OCI | **2,567,967,251** | **10% increase** | **2,824,763,976** | **256,796,725** |
| | | **10% decrease** | **2,311,170,526** | **(256,796,725)** |
| | **2,743,917,251** | | | |

| | 2020 | | | |
|---|---|---|---|---|
| | Fair value | Price change | Estimated fair value after change in prices | Increase (decrease) in profit or (loss)/ equity |
| | ----------Rupees---------- | | | |
| Financial assets at fair value through profit or loss | 163,587,600 | 10% increase | 179,946,360 | 16,358,760 |
| | | 10% decrease | 147,228,840 | (16,358,760) |
| Financial assets at fair value through OCI | 1,717,188,503 | 10% increase | 1,888,907,353 | 171,718,850 |
| | | 10% decrease | 1,545,469,653 | (171,718,850) |
| | 1,880,776,103 | | | |

### 40.6 Operational risk

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

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

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

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

**41 Capital management**

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

The Company's objectives when managing capital are:

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

**ii)** to provide an adequate return to shareholders.

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

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

**41.1** Gearing ratio as at 30 June 2021 and as at 30 June 2020 are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **Rupees** | Rupees |
| | | *Restated* |
| Total debt | **22,737,198,969** | 27,416,258,607 |
| Total equity including revaluation surplus | **34,697,283,259** | 20,679,706,523 |
| Total capital employed | **57,434,482,228** | 48,095,965,130 |
| Gearing ratio | **40%** | 57% |

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

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

**42 Reconciliation of movement of liabilities to cash flows arising from financing activities**

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Long term financing** | **Long term musharika** | **Short term borrowing** | **Lease liability** | **Unclaimed dividend** | **Accrued markup** | **Total** |
| | Rupees | | | | | | |
| **Balance at 01 July 2020** | 12,392,810,608 | 2,897,859,414 | 11,537,224,217 | 71,173,118 | 13,748,423 | 517,191,250 | **27,430,007,030** |
| ***Changes from financing cash flows*** | | | | | | | |
| Proceeds from short term borrowings - *net* | - | - | (5,530,113,312) | - | - | - | **(5,530,113,312)** |
| Financial charges paid - *net* | - | - | - | - | - | (2,002,252,150) | **(2,002,252,150)** |
| Proceeds from long term financing | 2,386,340,693 | - | - | - | - | - | **2,386,340,693** |
| Long term financing repaid | (1,048,683,159) | (270,258,778) | - | - | - | - | **(1,318,941,937)** |
| Lease rentals paid | - | - | - | (8,784,600) | | | **(8,784,600)** |
| Dividend paid | - | - | - | - | (594,801,852) | - | **(594,801,852)** |
| **Total changes from financing cash flows** | **1,337,657,534** | **(270,258,778)** | **(5,530,113,312)** | **(8,784,600)** | **(594,801,852)** | **(2,002,252,150)** | **(7,068,553,158)** |
| ***Other changes*** | | | | | | | |
| Finance cost | - | - | - | 10,517,581 | - | 1,784,174,087 | **1,794,691,668** |
| Recognized during the year | - | - | - | - | - | - | **-** |
| Dividend declared | - | - | - | - | 600,000,000 | - | **600,000,000** |
| **Total liability related other changes** | - | - | - | 10,517,581 | 600,000,000 | 1,784,174,087 | **2,394,691,668** |
| **Balance at 30 June 2021** | **13,730,468,142** | **2,627,600,636** | **6,007,110,905** | **72,906,099** | **18,946,571** | **299,113,187** | **22,756,145,540** |

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Long term financing | Long term musharika | Short term borrowing | Lease liability | Unclaimed dividend | Accrued markup | Total |
| | ---------- Rupees ---------- | | | | | | |
| | ---------- *Restated* ---------- | | | | | | |
| **<u>Balance at 01 July 2019</u>** | 10,794,116,895 | 2,169,056,619 | 12,299,901,368 | - | 12,340,081 | 481,255,957 | 25,756,670,920 |
| ***<u>Changes from financing cash flows</u>*** | | | | | | | |
| Proceeds from short term borrowings - *net* | - | - | (762,677,151) | - | - | - | (762,677,151) |
| Financial charges paid - *net* | - | - | - | - | - | (2,898,616,350) | (2,898,616,350) |
| Proceeds from long term financing | 3,048,399,042 | 1,000,000,000 | - | - | - | - | 4,048,399,042 |
| Long term financing repaid | (1,449,705,329) | (271,197,205) | - | - | - | - | (1,720,902,534) |
| Lease rentals paid | - | - | - | (7,986,000) | | | (7,986,000) |
| Dividend paid | - | - | - | - | (313,591,658) | - | (313,591,658) |
| **Total changes from financing cash flows** | 1,598,693,713 | 728,802,795 | (762,677,151) | (7,986,000) | (313,591,658) | (2,898,616,350) | (1,655,374,651) |
| ***<u>Other changes</u>*** | | | | | | | |
| Finance cost | - | - | - | 10,236,151 | - | 2,934,551,643 | 2,944,787,794 |
| Recognized during the year | - | - | - | 68,922,967 | - | - | 68,922,967 |
| Dividend declared | - | - | - | - | 315,000,000 | - | 315,000,000 |
| Total liability related other changes | - | - | - | 79,159,118 | 315,000,000 | 2,934,551,643 | 3,328,710,761 |
| **<u>Balance at 30 June 2020</u>** | 12,392,810,608 | 2,897,859,414 | 11,537,224,217 | 71,173,118 | 13,748,423 | 517,191,250 | 27,430,007,030 |

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

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

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Chief Executive Officer** | **Directors *** | **Executives** | **Total** | Chief Executive Officer | Directors * | Executives | Total |
| | **Rupees** | | | | Rupees *Restated* | | | |
| Managerial remuneration | **-** | **26,604,784** | **69,026,434** | **95,631,218** | - | 22,358,635 | 58,325,884 | 80,684,519 |
| House rent and utilities | **-** | **109,342** | **11,350,698** | **11,460,040** | 170,041 | 53,961 | 9,810,990 | 10,034,992 |
| Medical | **193,648** | **180,953** | **6,723,594** | **7,098,195** | 115,618 | 213,403 | 5,811,585 | 6,140,606 |
| Conveyance/ petrol | **-** | **-** | **-** | **-** | - | - | - | - |
| Insurance | **-** | **-** | **-** | **-** | - | - | - | - |
| | **193,648** | **26,895,079** | **87,100,726** | **114,189,453** | 285,659 | 22,625,999 | 73,948,459 | 96,860,117 |
| Numbers | **1** | **8** | **30** | **39** | 1 | 9 | 26 | 36 |

* This includes remuneration of Rs. 20.24 million (2020: 17.09 million) paid to directors of Fazal Weaving Mills Limited (FWML), previous subsidiary, now mergered into the Company.

**43.1** In addition to above, only Non-Executive Directors were paid Rs. 0.75 million (2020: Rs. 0.03 million) as meeting fee.

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

**43.3** These include Rs. 7.35 million (2020: Rs. 3.58 million) in respect of staff retirement benefits.

## 44 Number of employees

| | Production | |
|---|---|---|
| | **2021** | 2020 |
| | **(Number)** | |
| Total number of employees as at 30 June | **5,705** | 5,695 |
| Average number of employees during the year | **5,700** | 5,542 |

## 45 Related party transactions and balances

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

| | Name of parties | Relationship | Basis of Relationship | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|---|---|
| a) | **Fazal Rehman Fabrics Limited** | Related party | Common Directorship | | |
| | Sale of goods and services - *net* | | | **4,976,781,414** | 4,020,815,557 |
| | Purchase of goods and services | | | **362,254,290** | 102,250,471 |
| | Purchase of fixed assets | | | **-** | 15,795,000 |
| | Receipts against sale of goods and services - *net* | | | **4,498,166,148** | 3,799,243,238 |
| b) | **Fatima Fertilizer Company Limited** | Related party | Common Directorship and 3.29 % (2020: 3.29%) shareholding | | |
| | Dividend Income | | | **172,785,078** | 138,228,062 |
| | Reimbursable expenses | | | **2,033,958** | - |
| c) | **Fatima Energy Limited** | Related party | Associated undertaking | | |
| | Long term advance given | | | **640,832,000** | 657,500,000 |
| | Mark-up accrued on long term advance | | | **261,218,307** | 308,039,351 |
| | Purchase of goods | | | **857,060,232** | 530,597,279 |
| | Payments against purchase of goods - *net* | | | **871,467,830** | 507,135,904 |
| d) | **Reliance Weaving Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods | | | **119,290,369** | 54,104,720 |
| | Receipts against sale of goods- *net* | | | **119,185,872** | 40,565,155 |
| e) | **Ahmed Fine Textile Mills Limited** | Related party | Common Directorship | | |
| | Sale of goods and services | | | **63,067,365** | 50,531,609 |
| | Sale of fixed asset | | | **5,000,000** | - |
| | Purchase of goods and services | | | **1,299,189,156** | 1,317,124,310 |
| | Purchase of fixed assets | | | **-** | 12,012,477 |
| | Payment against sale of goods and services - *net* | | | **986,199,462** | 1,016,544,533 |
| | Reimbursable expenses | | | **2,577,000** | 1,832,659 |

| | Name of parties | Relationship | Basis of Relationship | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|---|---|
| f) | **Fazal-ur-Rehman Foundation, Multan** | Related party | Common Directorship/ Trustees | | |
| | Donations | | | **2,569,150** | 2,652,600 |
| g) | **Hussain Ginneries Limited** | Related party | Common Directorship | | |
| | Expenses incurred on behalf of associate | | | **11,550** | 1,261,550 |
| | Payments against expenses | | | **1,250,000** | 1,250,000 |
| h) | **Fatima Transmission Company Limited** | Related party | Common Directorship | | |
| | Long term advance given | | | **39,592,000** | 33,615,448 |
| | Mark-up accrued on long term advance | | | **7,945,427** | 8,973,115 |
| i) | **Pak Arab Energy Limited** | Related party | Common Directorship | | |
| | Mark-up accrued on long term advance | | | **2,316,542** | 3,660,066 |
| j) | **Fazal Farm (Private) Limited** | Related party | Common Directorship | | |
| | Purchase of goods | | | **6,471,690** | 5,243,324 |
| | Payments against purchase of goods - *net* | | | **6,525,793** | 7,007,860 |
| k) | **Friends of Cardiology Foundation Multan** | Related party | Common Directorship/ Trustees | | |
| | Donations | | | **1,305,525** | 6,228,650 |
| l) | **Taary Zameen Par Trust** | Related party | Common Directorship/ Trustees | | |
| | Donations | | | **2,108,200** | 456,400 |

All transactions with related parties have been carried out on commercial terms and conditions.

## 46 Segment reporting

### 46.1 Reportable segments

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

The Company's reportable segments are as follows:

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

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

### 46.2 Information about reportable segments

| | Spinning | | Weaving | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | Rupees | | | | | |
| | | *Restated* | | *Restated* | | *Restated* |
| External revenues | **44,062,172,290** | 32,812,134,622 | **8,070,070,360** | 6,901,600,314 | **52,132,242,650** | 39,713,734,936 |
| Intersegment revenues | **4,536,325,061** | 4,086,456,573 | **12,693,783** | 9,970,700 | **4,549,018,844** | 4,096,427,273 |
| Cost of sales | **(41,236,901,104)** | (32,833,170,773) | **(2,890,351,821)** | (2,319,330,566) | **(44,127,252,925)** | (35,152,501,339) |
| Intersegment cost of sales | **(12,693,783)** | (9,970,700) | **(4,536,325,061)** | (4,086,456,573) | **(4,549,018,844)** | (4,096,427,273) |
| Selling and distribution expense | **(291,405,823)** | (314,035,329) | **(80,288,059)** | (68,306,673) | **(371,693,882)** | (382,342,002) |
| Administrative expenses | **(356,733,249)** | (305,380,348) | **(47,460,956)** | (40,623,333) | **(404,194,205)** | (346,003,681) |
| Other expense | **(684,989,788)** | (625,679,074) | **(1,017,081)** | (5,093,757) | **(686,006,869)** | (630,772,831) |
| Other income | **861,251,656** | 681,333,821 | **-** | 3,592,098 | **861,251,656** | 684,925,919 |
| Finance cost | **(1,610,627,727)** | (2,638,558,721) | **(184,063,941)** | (306,229,073) | **(1,794,691,668)** | (2,944,787,794) |
| Profit before taxation | **5,266,397,533** | 853,130,071 | **343,257,224** | 89,123,137 | **5,609,654,757** | 942,253,208 |

**46.2.1** The accounting policies for disclosure of the reportable segments are the same as the Company's accounting policies described in note 4.22 to the financial statements. Expenditures are allocated on the basis of actual amounts incurred for the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

**46.2.2 Reconciliation of reportable segment revenues and profits**

| | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|
| Total revenue from reportable segments | **56,681,261,494** | 43,810,162,209 |
| Elimination of inter segment revenue | **(4,549,018,844)** | (4,096,427,273) |
| | **52,132,242,650** | 39,713,734,936 |
| **Statement of profit or loss** | | |
| Total profit of reportable segments | **5,609,654,757** | 942,253,208 |
| Share of loss from associates | **(46,877,170)** | (884,391,203) |
| Taxation for the year | **(131,020,878)** | (627,358,059) |
| | **5,431,756,709** | (569,496,054) |

**46.3 Segment assets and liabilities**

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

| | Spinning | Weaving | Total |
|---|---|---|---|
| | | Rupees | |
| **For the year ended 30 June 2021** | | | |
| Segment assets for reportable segment | **49,452,467,472** | **4,434,143,165** | **53,886,610,637** |
| Unallocated corporate assets | | | **13,237,494,978** |
| **Total assets as per statement of financial position** | | | **67,124,105,615** |
| Segment liabilities for reportable segment | - | - | - |
| Unallocated corporate liabilities | - | - | **32,426,822,356** |
| **Total liabilities as per statement of financial position** | | | **32,426,822,356** |
| For the year ended 30 June 2020 | | | |
| Segment assets for reportable segment | 38,735,658,236 | 3,964,887,260 | 42,700,545,496 |
| Unallocated corporate assets | - | - | 12,495,220,960 |
| Total assets as per statement of financial position | | | 55,195,766,456 |
| Segment liabilities for reportable segment | - | - | - |
| Unallocated corporate liabilities | - | - | 34,516,059,933 |
| Total liabilities as per statement of financial position | | | 34,516,059,933 |

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

- all assets are held under unallocated corporate assets except property, plant and equipment, stores spares and loose tools, and stock in trade which are allocated to reportable segments; and
- all liabilities are held under unallocated corporate liabilities.

| Other segment information | Spinning | Weaving | Total |
|---|---|---|---|
| | ------------------ Rupees ------------------ | | |
| **For the year ended 30 June 2021** | | | |
| Capital expenditure | **1,090,317,421** | **18,384,850** | **1,121,969,126** |
| ***Depreciation*** | | | |
| Cost of sales | **1,231,727,659** | **151,080,402** | **1,386,278,225** |
| Administrative expenses | **47,914,205** | **1,810,101** | **49,724,307** |
| | **1,279,641,864** | **152,890,503** | **1,436,002,532** |
| For the year ended 30 June 2020 | | | |
| Capital expenditure | 2,145,169,124 | 7,181,028 | 2,152,350,152 |
| *Depreciation* | | | |
| Cost of sales | 1,056,781,589 | 143,726,251 | 1,200,507,840 |
| Administrative expenses | 37,165,240 | 1,678,988 | 38,844,228 |
| | 1,093,946,829 | 145,405,239 | 1,239,352,068 |

## 47 Geographical information

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

| | Note | 2021 Rupees | 2020 Rupees *Restated* |
|---|---|---|---|
| Domestic Sales | *29* | **30,559,687,403** | 25,283,232,411 |
| Export Sales | *47.1* | **21,572,555,247** | 14,430,502,525 |
| | | **52,132,242,650** | 39,713,734,936 |

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

| | | | |
|---|---|---|---|
| China | | **7,506,554,520** | 7,083,887,743 |
| United States of America | | **2,111,639,595** | 1,456,297,858 |
| Portugal | | **818,033,903** | 537,335,394 |
| Turkey | | **389,652,782** | 970,946,466 |
| Hong Kong | | **23,810,163** | 239,567,883 |
| Germany | | **364,161,694** | 509,143,261 |
| Taiwan | | **11,220,543** | 101,561,480 |
| Italy | | **157,082,516** | 226,994,664 |
| Japan | | **128,819,920** | 155,302,740 |
| Bangladesh | | **88,453,919** | 36,664,916 |
| Belgium | | **78,485,602** | 80,082,041 |
| Poland | | **101,904,716** | 34,564,262 |
| Colombia | | **249,368,868** | 183,437,658 |
| Malaysia | | **106,666,443** | 66,134,136 |
| Others | | **733,195,727** | 219,707,725 |
| Indirect exports | *29.1* | **8,703,504,336** | 2,528,874,298 |
| | | **21,572,555,247** | 14,430,502,525 |

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

## 48 Capacity and production

| | | 2021 | 2020 |
|---|---|---|---|
| **Spinning:** | | | |
| Number of spindles installed | | **252,564** | 252,564 |
| Number of rotors and MVS spindles installed | | **4,548** | 4,548 |
| *Number of shifts worked* | | **1,094** | 1,067 |
| Number of spindles - *shifts worked* | | **276,305,016** | 269,485,788 |
| Capacity at 20's count | *Kgs.* | **111,996,087** | 112,302,925 |
| Actual production of all counts | *Kgs.* | **102,200,664** | 96,314,856 |
| Actual production converted into 20's count | *Kgs.* | **117,013,976** | 109,191,935 |

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

| | | 2021 | 2020 |
|---|---|---|---|
| **Weaving:** | | | |
| Number of looms installed | | **224** | 224 |
| Number of looms worked | | **224** | 224 |
| Number of shifts worked | | **1,094** | 1,067 |
| Standard cloth production | Mtr. | **49,253,543** | 46,985,843 |
| Actual cloth production | Mtr. | **45,638,333** | 43,537,082 |

It is difficult to describe precisely the production capacity in weaving mills since it fluctuates widely depending on various factors such as count of yarn weaved, loom speed, reed change and raw materials used etc. It also varies according to the pattern of production adopted in a particular year.

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

### a) Cash dividend

The Board of Directors of the Company in their meeting held on 30 September 2021 have proposed a final cash dividend of Rs. 10 per share (2020: Rs. nil per share), in addition to Rs. 20 per share interim dividend already paid, for the year ended 30 June 2021 held for approval of the members in the Annual General Meeting to be held on 27 October 2021.

### b) Others

The Board of Directors of the Company in their meeting held on 30 September 2021 have approved the acquisition of M/s Imperial Textile Mills Limited ('the acquiree') by way of purchase of its 100% ordinary shares for a total consideration amounting to Rs. 375 million, including payment of outstanding liabilities of the acquiree. At the time of authorization of these financial statements, no payment has been made and the management is in the process of finalization of the transaction to obtain control of the business.

## 50 Date of authorization for issue

These financial statements were authorized for issue on 30 September 2021 by the Board of Directors of the Company.

## 51 General

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

**51.2** Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation as per reporting framework.

| (MUHAMMAD AZAM)<br>CHIEF FINANCIAL OFFICER | (REHMAN NASEEM)<br>CHIEF EXECUTIVE OFFICER | (SHEIKH NASEEM AHMAD)<br>DIRECTOR |
|---|---|---|

**Categories Detail**
**As At :30-June-2021**

| Categories of Shareholders | Shares held | Percentage |
|---|---|---|
| Directors, Chief Executive Officer, and their spouse and minor children | 4,412,042 | 14.7067 |
| Associated Companies, undertakings, and related parties | 11,907,340 | 39.69131667 |
| NIT & ICP | 1,768,951 | 5.895015 |
| Banks Development Financial Institutions, Non-banking Financial Institutions | 169,709 | 0.5657 |
| Modarba and Mutual Funds | 13,006 | 0.0434 |
| Shareholders holding 10 % | 10,447,861 | 34.8262 |
| General public | 1,209,431 | 4.0459 |
| Others (Public Sector and government institutions) | 71,660 | 0.234423333 |
| **Total** | **30,000,000** | **100** |

**Fazal Cloth Mills Limited**
**Categories Detail**
**As At :30-June-2021**

| Catagory Name | | | Shares Held | % |
|---|---|---|---|---|
| **Directors, Spouses & Minor Children** | | | | |
| | SHEIKH NASEEM AHMAD | (Chairman / Director) | 8,820 | 0.0294 |
| | MUHAMMAD MUKHTAR SHEIKH | (Director) | 1,012,969 | 3.3766 |
| | FAISAL AHMED | (Director) | 2,039,865 | 6.7995 |
| | FAHD MUKHTAR | (Director) | 579,715 | 1.9324 |
| | AMIR NASEEM SHEIKH | (Director) | 82,828 | 0.2761 |
| | Ms. PARVEEN AKHTER MALIK | (Director) | 2,501 | 0.0083 |
| | Mr. MASOOD KARIM SHEIKH | (Director) | 2,501 | 0.0083 |
| | Mr. BABAR ALI | (Director) | 2,501 | 0.0083 |
| | MAHNAZ AMIR SHEIKH | | 4,447 | 0.0148 |
| | MOHID MUHAMMAD AHMED S/O | FAISAL AHMED | 675,895 | 2.253 |
| | | | **4,412,042** | **14.707** |
| **Associated Companies, Undertakings and Related Parties** | | | | |
| | RELIANCE COMMODITIES (PVT) LTD | | 500 | 0.0017 |
| | FATIMA HOLDING LTD | | 5 | 00000 |
| | FATIMA MANAGEMENT COMPANY LIMITED | | 392,282 | 1.3076 |
| | FATIMA TRADE COMPANY LIMITED | | 392,282 | 1.3076 |
| | FATIMA TRADING COMPANY PRIVATE LIMITED | | 392,283 | 1.3076 |
| | FAWAD AHMED MUKHTAR | | 2,415,422 | 8.0514 |
| | ALI MUKHTAR S/O | (Fawad Ahmad Mukhtar) | 536,207 | 1.7874 |
| | ABBAS MUKHTAR S/O | (Fawad Ahmad Mukhtar) | 536,206 | 1.7874 |
| | FAZAL AHMED SHEIKH | | 2,041,611 | 6.8054 |
| | ASAD MUHAMMAD SHEIKH S/O | FAZAL AHMAD SHEIKH | 1,012,970 | 3.3766 |
| | ABDULLAH AMIR FAZAL S/O | AMIR NASEEM SHEIKH | 1,414,139 | 4.7138 |
| | MUHAMMAD YOUSAF AMIR S/O | AMIR NASEEM SHEIKH | 1,421,643 | 4.7388 |
| | MUHAMMAD FAZEEL MUKHTAR S/O | FAISAL AHMED | 675,895 | 2.253 |
| | IBRAHIM MUKHTAR S/O | FAISAL AHMED | 675,895 | 2.253 |
| | | | **11,907,340** | **39.691** |
| **NIT & ICP** | | | | |
| | IDBL (ICP UNIT) | | 463 | 0.00% |
| | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | | 1,768,488 | 5.895 |
| | | | **1,768,951** | **5.895** |
| **Banks, Development Financial Institutions, Non Banking Financial Institutions** | | | | |
| | M/S. UNITED BANK LIMITED | | 788 | 0.0026 |
| | NATIONAL BANK OF PAKISTAN | | 993 | 0.0033 |
| | ESCORTS INVESTMENT BANK LIMITED | | 196 | 0.0007 |
| | THE TRUSTEE, GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST | | 379 | 0.0013 |
| | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND | | 161,680 | 0.5389 |
| | TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST | | 5,673 | 0.0189 |
| | | | **169,709** | **0.566** |
| **Mudaraba & Mutual Funds** | | | | |
| | GOLDEN ARROW SELECTED STOCKS FUND LIMITED | | 12,406 | 0.0414 |
| | CDC - TRUSTEE AKD OPPORTUNITY FUND | | 600 | 0.002 |
| | | | **13,006** | **0.043** |
| **Sahreholder holding 10 %** | | | | |
| | FAZAL HOLDINGS PVT LTD (Associted Company) | | 7,346,541 | 24.4885 |
| | REHMAN NASEEM (Director) | | 3,101,320 | 10.3377 |
| | | | **10,447,861** | **34.826** |
| **General Public** | | | | |
| | **Local** | | **1,192,650** | 4.030 |
| | **Foreign** | | **16,781** | 0.016 |
| | | | **1,209,431** | **4.046** |
| **OTHERS- Public Sector Companies & Govt Institutions** | | | | |
| | M/S. FREEDOM ENTERPRISES (PVT) LTD | | 6,309 | 0.021 |
| | FAZAL VEGETABLE GHEE MILLS LTD | | 7,689 | 0.0256 |
| | M/S. FATEH TEXTILE MILLS LIMITED | | 258 | 0.0009 |
| | M/S. NAEEMS SECURITIES LIMITED | | 447 | 0.0026 |
| | SARFRAZ MAHMOOD (PRIVATE) LTD | | 100 | 0.0003 |
| | H M INVESTMENTS (PVT) LIMITED | | 45 | 0.0002 |
| | AKRAM COTTON MILLS LIMITED | | 6 | 0.00002 |
| | MAPLE LEAF CAPITAL LIMITED | | 1 | 00000 |
| | DEPUTY ADMINISTRATOR ABANDONED PROPERTIES ORGANIZATION | | 48,802 | 0.1571 |
| | FIKREES (SMC-PVT) LTD. | | 1,668 | 0.0056 |
| | MOLASSES TRADING & EXPORT CO. LTD. | | 135 | 0.0005 |
| | CREATIVE CAPITAL SECURITIES (PRIVATE) LIMITED | | 5,500 | 0.0183 |
| | AL-HABIB CAPITAL MARKETS (PRIVATE) IMITED | | 700 | 0.0023 |
| | | | **71,660** | **0.234** |
| | | | **30,000,000** | **100** |

**Pattern of Shareholding for Fazal Cloth Mills Limited**

**As on:- 30-Jun-2021**

| Number of ShareHolders | Shareholdings From | | To | Total Number of Share Held | Percentage of Total Capital |
|---|---|---|---|---|---|
| 732 | 1 | - | 100 | 15,974 | 0.05 |
| 345 | 101 | - | 500 | 93,629 | 0.31 |
| 115 | 501 | - | 1000 | 87,922 | 0.29 |
| 114 | 1001 | - | 5000 | 247,938 | 0.83 |
| 22 | 5001 | - | 10000 | 150,616 | 0.50 |
| 6 | 10001 | - | 15000 | 66,863 | 0.22 |
| 3 | 15001 | - | 20000 | 49,896 | 0.17 |
| 1 | 20001 | - | 25000 | 21,865 | 0.07 |
| 1 | 25001 | - | 30000 | 25,384 | 0.08 |
| 3 | 40001 | - | 45000 | 132,368 | 0.44 |
| 1 | 45001 | - | 50000 | 48,208 | 0.16 |
| 1 | 55001 | - | 60000 | 59,804 | 0.20 |
| 1 | 60001 | - | 65000 | 65,000 | 0.22 |
| 1 | 80001 | - | 85000 | 82,828 | 0.28 |
| 1 | 110001 | - | 115000 | 110,326 | 0.37 |
| 1 | 160001 | - | 165000 | 161,680 | 0.54 |
| 1 | 285001 | - | 290000 | 290,000 | 0.97 |
| 3 | 390001 | - | 395000 | 1,176,847 | 3.92 |
| 3 | 535001 | - | 540000 | 1,605,037 | 5.35 |
| 3 | 670001 | - | 675000 | 2,024,102 | 6.75 |
| 2 | 1010001 | - | 1015000 | 2,022,355 | 6.74 |
| 1 | 1305001 | - | 1310000 | 1,306,976 | 4.36 |
| 1 | 1410001 | - | 1415000 | 1,414,139 | 4.71 |
| 1 | 1420001 | - | 1425000 | 1,421,638 | 4.74 |
| 1 | 1765001 | - | 1770000 | 1,768,488 | 5.89 |
| 2 | 1995001 | - | 2000000 | 3,993,810 | 13.31 |
| 1 | 2415001 | - | 2420000 | 2,415,422 | 8.05 |
| 1 | 3100001 | - | 3105000 | 3,101,320 | 10.34 |
| 1 | 6035001 | - | 6040000 | 6,039,565 | 20.13 |
| **1,369** | | | | **30,000,000** | **100.00** |

# Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

# Investors' Education

In Compliance with the Securities and Exchange Commission of Pakistan's SRO 924 (1) / 2015
dated September 09, 2015, Investors' attention is invited
to the following information message

**Consent Form For Transmission Of Annual Audited Financial Statements Along-With Notice Of AGM Through E-Mail.**

Date:__________________
Manager Shares,
Fazal Cloth Mills Limited,
Vision Consulting Limited,
3-C, LDA Flats Lawrence Road,
Lahore.042-36283096-97
Shares@vcl.com.pk

**Subject: Consent For Transmission Of Annual Audited Financial Statements Along With Notice Of Annual General Meeting Through E-Mail**

Dear Sir,

I hereby instruct the company M/s Fazal Cloth Mills Limited to send me the Company's Annual Balance Sheet and Profit and Loss Account, Auditors' Report and Directors' Report thereon along-with notice of Annual General Meeting (AGM) (Audited Annual Financial Statements) at my email address as per detail given below:

Sincerely

Signature of Shareholder: ____________________
Folio # / CDC account No: ____________________
Name of Shareholder: ____________________
Valid e-mail Address: ____________________
Contact No. : ____________________
CNIC No. : ____________________

# Form of Proxy

FAZAL CLOTH MILLS LIMITED

I/We_____________________________________ of ________________________________, being a Member of Fazal Cloth Mills Limited holding ______________________________ ordinary shares, HEREBY APPOINT_______________________________________ of ______________________________, or failing him/her _________________________________ of ____________________________________ as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at 56th Annual General Meeting of the Company to be held at the Fatima Group Head Office, 110-E, Khayanban E Jinnah, Lahore Cantt, at 11:00 a.m. on Wednesday 27 October 2021 and at any adjournment there of.

As witness my/our hand(s) this _____ day of ____________________ 2021.

Signed in the presence of:

Five Rupees Revenue Stamps

___________________________

(Signature of Witness 1)
Name of Witness:
CNIC No.:

| | | | | | - | | | | | | | - | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

Address:_______________________________
_______________________________________
_______________________________________
_______________________________________

___________________________

(Signature of Witness 2)
Name of Witness:
CNIC No.:

| | | | | | - | | | | | | | - | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

Address:_______________________________
_______________________________________
_______________________________________
_______________________________________

_________________________________

(Name of Block letters)
Folio No.

_________________________________

Signature of the Shareholder

**Notes:**

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 10/- at the place indicated above;
   (b) to sign in the same style of signature as is registered with the Company;
   (c) to write down his/her Folio Number.
2. For the appointment of the above Proxy to be valid, this instrument of proxy must be received at the Office of the Share Registrar of the Company at Share Registrar Department, Vision Consulting Limited, 3-C, LDA Flats, Lawrence Road Lahore at least 48 hours before the time fixed for the Meeting.
3. Any alteration made in this instrument of proxy should be initialled by the person who signs it.
4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
5. The Proxy must be a Member of the Company.

**For CDC Account Holders / Corporate Entities:**
In addition to the above, the following requirements have to be met:

(i) The proxy form must be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
(ii) Attested copies of CNIC or the passport of the beneficial owners and of the Proxy must be furnished with the proxy form.
(iii) The Proxy must produce his original CNIC or original passport at the time of the Meeting.
(iv) In case of corporate entities, the Board of Directors' resolution/power of attorney and specimen signature must be submitted (unless it has been provided earlier) alongwith proxy forms to the Share Registrars.

پراکسی فارم
56 واں سالانہ عمومی اجلاس

# فضل کلاتھ ملز لمیٹڈ

میں / ہم ..................................................................................................................................
ساکن ........................................ بطور ممبر(ز) فضل کلاتھ ملز لمیٹڈ ........................................
حامل ........................................ عام حصص، محترم / محترمہ ........................................
ساکن ........................................ یا ان کے حاضر نہ ہوسکنے کی صورت میں ........................................
ساکن ........................................ کو اپنے/ ہمارے ایماپر کمپنی کے مورخہ 27 اکتوبر 2021 بروز بدھ
کو ہونے والے یا کسی بھی التوا کی صورت میں 56 سالانہ عمومی اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کیلئے اپنا/ ہمارا بطور نمائندہ (پراکسی) مقرر کرتا ہوں /
کرتے ہیں۔

بطور گواہ آج ................ بتاریخ ................ 2021 ........................ کی موجودگی میں دستخط ہوئے۔

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

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

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

اہم نکات:

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

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

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

- پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔
- پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔
- کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

# Fazal Cloth Mills Limited

**Head Office / Shares Department:**

59/3, Abdali Road, Multan
Ph: +92 61 4579001-7, 4781637
Fax: +92 61 4541832

**Registered Office:**

69/7, Abid Majeed Road, Survey # 248/7
Lahore Cantt, Lahore.+92 (42) 36684909