
















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## COMPANY INFORMATION

BOARD OF DIRECTORS : Ijaz Hameed (Chairman/Non Executive Director)  
Mohammad Hameed (Chief Executive/Executive Director)  
Aamer Hameed (Executive Director)  
Zainab Khan (Independent Director)  
Tariq Hameed (Non Executive Director)  
Omer Mohyudin Malik (Independent Director)  
Murtaza Hameed (Non Executive Director)

CHIEF FINANCIAL OFFICER : M. Muddasar Shahzad

COMPANY SECRETARY : Usman Khalid

AUDIT COMMITTEE : Omer Mohyudin Malik (Chairman)  
Zainab Khan (Member)  
Murtaza Hameed (Member)

HUMAN RESOURCE & REMUNERATION COMMITTEE : Zainab Khan (Chairperson)  
Ijaz Hameed (Member)  
Omer Mohyudin Malik (Member)

BANKERS : MCB Bank Limited  
Meezan Bank Limited  
Bank Alfalah Limited

AUDITORS : Crowe Hussain Chaudhury & Co.,  
Chartered Accountants

INTERNAL AUDITOR : Awan & Co.  
Chartered Accountants

REGISTERED OFFICE : 38-Empress Road, Lahore  
Telephones: (92-42) 36304561-3, 36367861-3  
Telefax: (92-42) 3636 7861  
E-mail: info@prime-service.com

MILLS : Rehman Shaheed Road, Gujrat  
Telephone: (92-53) 3514065, 3535085  
Telefax: (92-53) 3513700

Web Reference : www.sitl.com.pk

Share Registrar : Corplink (Pvt) Ltd.  
Wings Arcade, 1-K Commercial  
Model Town, Lahore  
Tel: (92-42) 35839182, 35916719



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 60th Annual General Meeting of the Shareholders of Service Industries Textiles Limited will be held on 28th October, 2021 at 09:30 hours at Registered Office 38, Empress Road, Lahore to transact the following business:

## ORDINARY BUSINESS:

1. To confirm the minutes of the 59th Annual General Meeting held on October 28, 2020.
2. To consider, approve and adopt Annual Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2021.
3. To appoint Statutory Auditors of the Company for the year ending June 30, 2022 and to fix their remuneration. The retiring auditors M/s Crowe Hussain Chaudhury & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To consider and approve payment of final cash dividend of one rupee per share (10%) for the year ended June 30, 2021, as recommended by the Board of Directors.

## OTHER BUSINESS:

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

BY ORDER OF THE BOARD

(USMAN KHALID)  
Company Secretary

LAHORE  
06 October, 2021

## NOTES

1. **BOOK CLOSURE**  
The share transfer books of the Company will remain closed from 21.10.2021 to 28.10.2021 (both days inclusive). Transfers received in order at the Company's Share Registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, upto the close of business on 20.10.2021 will be considered in time for the purpose of attending the meeting / entitlement for the payment of cash dividend.
2. **FOR APPOINTING PROXIES**  
A member entitled to attend and vote at the above meeting may appoint another member as his/her proxy to attend and vote on his behalf at the meeting. The instrument of the proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered office of the Company not less than 48 hours before the time of holding of the meeting.
3. **FOR ATTENDING MEETING**  
Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D numbers, to prove his/her identity, and in case of proxy must enclose and attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/sub account holders of CDC will further have to follow the guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 issued by Securities Exchange Commission of Pakistan
4. **MEASURES TAKEN OWING TO PREVAILING SITUATION OF COVID 19 PANDEMIC**  
To ensure the safety and well-being of all the Members keeping in view of the prevailing situation due to COVID 19 pandemic and pursuant to the guidelines issued by the Securities and Exchange Commission of Pakistan, vide its Circular No. 04 of 2021 dated February 15, 2021, members interested in attending the AGM through ZOOM are requested to get themselves registered by sending an email at least 48 hours prior to the date of the meeting at [info@prime-service.com](mailto:info@prime-service.com) by providing the following details:

Name of the Member	CNIC No.	Folio / CDC Account No	Cell No.	Email Address

Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after the identification process. Members will be able to login and participate in the Annual General Meeting proceedings through their devices after completing all the formalities required for the identification and verification.



## 5. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility. In this regard please fill the following and submit to registered address of the Company 10 days before the general meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting alongwith complete information necessary to enable them to access such facility.

I/We \_\_\_\_\_ of \_\_\_\_\_,

being a member of Service Industries Textiles Limited, holder of \_\_\_\_\_ Ordinary shares as per Register Folio / CDC

account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

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

## 6. POSTAL BALLOT

Members can exercise their right to demand a poll subject to meeting requirements of Sections 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

## 7. CNIC/NTN NUMBER &amp; IBAN ON ELECTRONIC DIVIDEND (MANDATORY)

As per SRO 831(1)/2012 dated July 5, 2012 and other relevant rules, the electronic dividend should also bear the CNIC number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s). Therefore all shareholders who had not yet submitted the valid copies of CNIC, NTN certificate(s) and IBAN are requested to send the same to the Share Registrar. Shareholders of the company who holds shares in scrip-less form on Central Depository Company of Pakistan Ltd. (CDC) are requested to update their IBAN details directly to their CDC participant (brokers)/CDC Investor Account Services.

## 8. E-DIVIDEND (MANDATORY)

In Accordance with SECP Circular No.18 of 2017 dated August 1, 2017 and the instruction related to distribution of dividend indicated in Companies (Distribution of Dividends) Regulations, 2017 and section 242 of the Companies Act 2017, all listed companies are required to ensure that with effect from November 1, 2017, the cash dividend shall be paid through electronic mode only. Therefore, shareholders are requested to provided the details of their bank mandate specifying: (i) Title of account, (ii) International Bank Account No. (IBAN) 24 digits, (III) Bank Name, (iv) Branch Address to the Company's Share Registrar: M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore. Please note that as Section 243 (30 of the Companies Act, 2017, listed companies are entitled to withhold payment of dividend, if necessary information is not provided by the shareholder.

For the convenience of shareholders e-Dividend mandate Form is available on Company's website: [www.sitl.com.pk](http://www.sitl.com.pk)

## 9. DEDUCTION OF INCOME TAX U/S 150 OF THE INCOMTAX ORDINANCE.

Shareholders whose names are not appearing in the Active Taxpayers List (ATL) are advised to immediately make necessary arrangement to make them active. Otherwise, tax on their cash dividend will be deducted, as per rules.

Further, according to clarification received from FBR, withholding tax will be determined separately on "Filer/Non-Filer" status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts. In this regard, all shareholding having joint accounts shall provide shareholding proportion in respect of shares held by them to our Share Registrar in writing. In case of no proportion, it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

## 10. CONVERSION OF SHARES TO SCRIP LESS FORM DEDUCTION OF INCOME TAX U/S 150 OF THE INCOMTAX ORDINANCE.

As per Section 72(2) of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four (4) years from the commencement of the Act, i.e., May 30, 2017. Those Shareholders having physical shareholding are encouraged to open a CDC Sub - Account with any Broker or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Pakistan Stock Exchange Limited.

## 11. AVAILABILITY OF ANNUAL AUDITED FINANCIAL STATEMENT

In accordance with the provision of section 223 and 237 of the Companies Act, 2017, the audited financial statements of the Company for the year, which ended on June 30, 2021 are available on the Company's website: [www.sitl.com.pk](http://www.sitl.com.pk)

## 12. CHANGE OF ADDRESS

Shareholders are requested to notify the change of their addresses, if any, to our Share Registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Tele No. 042-35839182, 042-35916714-19.



### Review Report by the Chairman

I am pleased to present before you the report on the overall performance of the Board and its role in achieving the company's objective as well as ensuring overall compliance of the Code of Corporate Governance and Companies Act, 2017.

Though pandemic Covid-19 has adversely affected health and industrial sector worldwide I acknowledged the utmost efforts of the Board which steered the company in these challenging times. The Board constantly assessed and revisited their existing strategies to maintain corporate sustainability required during the pandemic. The company understands that employees are the key pillars of growth and the Board has taken considerable measures to minimize the impact of pandemic situation on its employees.

For the financial year ended June 30, 2021, an annual evaluation of Board of Directors is carried out and the Board's overall performance and effectiveness has been assessed as satisfactory. The overall assessment is based on evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business. Despite many challenges during the period under review we have been able to deliver improvement in profitability through persistence and diligent efforts

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee's meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

The Company is striving to further improve the working conditions of its employees to provide safe, healthy and comfortable working environment.

Lahore

06 October, 2021

Ijaz Hameed  
Chairman



## چیرمین کی جائزہ رپورٹ

سروس انڈسٹریز ٹیکسٹائلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017ء کے تحت کیا گیا۔

گوکہ Covid-19 نے صحت اور صنعتی شعبے کو بری طرح سے متاثر کیا ہے۔ اس مشکل دور میں بورڈ آف ڈائریکٹرز اچھے طریقے سے نبرد آزما ہونے پر تحسین کے مستحق ہیں اس دوران بورڈ نے مسلسل اپنے پالیسیوں کا جائزہ لیا تاکہ ایک پائیدار کارپوریٹ کلچر مہیا کیا جاسکے۔ کمپنی سمجھتی ہے کہ ملازمین کمپنی کا اثاثہ ہیں اور اس وبا کے اثرات ان پر کم کرنے کیلئے کمپنی نے ہر ممکن اقدامات اٹھائے۔

مالی سال برائے 30 جون، 2021 کے لیے بورڈ کی سالانہ مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہ پیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لیے باقاعدگی سے ملاقات کرتا ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

کمپنی اپنے ملازمین کی حفاظت، صحت اور کام کے آرامدہ ماحول کو اور بہتر کرنے کیلئے کوشش کر رہی ہے۔

اعجاز حمید  
چیرمین

لاہور

مورخہ 6-اکتوبر 2021



## DIRECTORS' REPORT

The directors are pleased to present the 60th annual report along with the audited financial statement for the year ended 30 June 2021.

## Operating &amp; Financial Results:

By the grace of Almighty Allah during the year the Company has earned a net profit after taxation of Rs 59.543 Million as compared to net loss of Rs. 25.042 Million in preceding year. Gross profit for the year is Rs 130.246 Million as compared to Rs.59.146 Million. Revenue for the year is Rs.1.230 Billion (2020: Rs.0.921 Billion). During the year we started the process of BMR and so far have invested Rs. 55.447 Million and further investment of Rs. 50.00 Million is expected in the subsequent year. As a responsible company we have started investing in green energy and have deployed a solar solution of 120KW, we plan on investing in green energy further in coming years. All these investments have been made from the profits of the company without any support from financial institutions.

The year under review can be termed as game changer for textile industry and after many years textile industry is operating at full capacity. This turnaround is primarily because of policy decision by the Government of Pakistan in opening of the industry before the regional competitors during the first wave of Pandemic. This had resulted in placement of huge orders by international buyers especially in hosiery and home textile to textile industry. As a result industry scaled up its production and at present operating on full capacity. Also the other steps taken by the Government such as reduction in the policy rate, availability of long term financing under TERF and availability of gas and electricity to industry at regionally competitive prices are also major contributing factors for better performance of the industry. .

## Key Operational and Financial Data

	JUNE 2021	JUNE 2020	JUNE 2019	JUNE 2018	JUNE 2017	JUNE 2016	JUNE 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sales	1,230,010	921,250	979,881	854,392	801,430	483,006	586,437
Gross Profit	130,246	59,146	85,254	48,176	43,915	15,037	38,568
Operating Profit/(Loss)	87,222	23,934	54,684	21,444	21,067	(8,756)	13,734
Profit/(Loss)before Tax	80,734	(1,832)	42,758	13,060	8,132	(18,025)	32,149
Tax	(21,192)	(23,210)	(5,644)	(2,413)	676	(4,737)	(2,051)
Profit/(Loss) after Tax	59,543	(25,042)	37,114	1,065	8,809	(22,763)	30,098
Total Assets	866,901	828,577	811,059	606,487	555,566	610,421	569,018
Current Liabilities	174,181	166,913	132,778	167,362	108,391	151,979	72,941
	692,720	661,664	678,281	439,125	447,175	458,442	496,077
Presented by:							
Equity-net	563,211	543,911	571,517	363,685	353,055	343,860	366,130
Long term loans	52,209	26,270	36,700	48,700	60,700	72,700	84,700
Deferred Liability	77,300	91,483	70,065	26,740	33,420	41,882	45,247
	692,720	661,664	678,281	439,125	447,175	458,442	496,077

## EPS:

Earnings per share (basic) for the year ended June 30, 2021 is Rs 9.91 (2020:Rs.-5.63).

## Future Prospects:

During the current year under review, Government has taken timely steps to open the local industry earlier than the other countries of the region and provided the support package to industry to mitigate the effects of COVID-19. This has helped the textile sector and they took the full advantage of this and were able to secure export orders due to closure of textile industry primarily in India and Bangladesh. However after the reopening of countries in the region we are now facing severe competition and prices of cotton yarn have shown a downward trend subsequent to balance sheet date and margins has been reduced considerably.

Also serious threats to this recovery and sustainability of production to optimal level are availability of raw material (cotton) and continuation of supply of energy at subsidized prices.





Over 8.46 million bales of cotton production is expected during the current season which is again well short of the requirement of local textile sector. This year production and quality of crop is slightly better due to less rainfall as compared to last year and efforts made by Government to provide the seed through authorized dealers. But still to fulfill the requirements of local industry, cotton has to be imported which will raise the import bill of country considerably. The cotton production is on a decline for last many years due to multiple factors such as climate change, uncertified seeds, unchecked business of spurious pesticides, and high cost of production with diminishing return for farmers. Though the Government has realized the challenges for improving the yield and quality of cotton crops and has taken small steps for its improvement still there is a long way to go. Government should fully support the farmers and help them in up-gradation of farming technology, educate the farmer to use the quality seed and make investment in research and development of quality seed, capacity building of farmers and introduce incentives for better quality cotton that would help in motivating the farmers.

Government has pledged to support the industry by keep on providing electricity and gas at concessionary rate of US cents 9/KWH and \$6.5/MMBTU respectively for year 2021-22 but this year wise competitive tariff package is not feasible and it should be announced for five years keeping in view of broader spectrum to attract long term investment from industry.

We are fully aware of the challenges and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control of management. We remain hopeful of the improving macro and micro economic situation of the Country. The Directors of your Company are committed to run the Company at any cost and therefore we are doing our utmost to make your Company more competitive by following best practices and making the Company more viable.

#### Payment of Dividend:

Board of Directors are pleased to recommend final cash dividend of 10% i.e. Rs.1.00 per share in line with the recommendation of audit committee for the approval from shareholders in the forthcoming Annual General Meeting schedule to be held on October 28, 2021.

#### Corporate & Financial Reporting Framework:

- The financial statements prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriated accounting policies have been adopted and consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International financial reporting standards 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. The process of review will continue and any weakness in control will be removed.
- Six year financial summary is annexed.
- Pattern of shareholdings as on June 30, 2021 and its disclosure as required by the Code of Corporate Governance is annexed with this report.
- The Company has adopted best practices of corporate governance as per listing regulations of Pakistan Stock Exchange.

#### Internal Control System:

The Company has always emphasized on a sound Internal Control System for the effective implementation and monitoring of Internal Control System.

#### Statutory Payments:

There is no outstanding statutory payment payable other than those shown in the relevant Notes to the financial statements.

#### Composition of the Board of Directors:

The total number of directors is seven (07) including the Chief Executive (deemed director) as per the following:

Male:	6
Female:	1

#### The composition is as follows:

Category	Names
Independent Director	Mr. Omer Mohyudin Malik Ms. Zainab Khan
Executive Director	Mr. Mohammad Hameed Mr. Aamer Hameed
Non-Executive	Mr. Ijaz Hameed Mr. Tariq Hameed Mr. Murtaza Hameed
Female Director	Ms. Zainab Khan

**Board of Directors Meeting:**

During the year ended 30 June 2021, the Board of Directors held six meetings. Attendance of each director is given hereunder:

Mohammad Hameed	6
Ijaz Hameed	6
Aamer Hameed	6
Tariq Hameed	6
Murtaza Hameed	6
Omer Mohyudin Malik	6
Zainab Khan	6

**Committees of the Board**

To assist the smooth operations of the Board and support in sound decision making, the Board has established two committees which are chaired by independent directors. These committees are as follows

**Audit Committee:**

The committee comprises of three (3) members as per the following:

Omer Mohyudin Malik	(Chairman)
Zainab Khan	(Member)
Murtaza Hameed	(Member)

During the year four meetings of Audit Committee of the Board were held. Attendance by each director is as follows:

Omer Mohyudin Malik	4
Zainab Khan	4
Murtaza Hameed	4

**Human Resource and Remuneration (HR & R) Committee:**

The committee comprises of three (3) members as per the following:

Zainab Khan	(Chairperson)
Ijaz Hameed	(Member)
Omer Mohyudin Malik	(Member)

During the year two meetings of HR & R Committee of the Board were held. Attendance by each director is as follows:

Zainab Khan	2
Ijaz Hameed	2
Omer Mohyudin Malik	2

**Value of Investment of Gratuity Fund:**

The Company has maintained a Gratuity fund for its employees however there are no plan assets covering this liability as on June 30, 2021.

**Books of Accounts:**

The Company at the registered Office has maintained proper books of accounts.

**Director's Remuneration:**

The feature of executive director's remuneration policy prepared and recommended by human resource and remuneration committee (HRRC) has been approved by the board subject to the provisions of the Companies Act 2017, Companies' Article of Association and Code of Corporate Governance Regulations. The policy has been designed on the basis of standards in the market, and reflects demands to competencies & efforts in light of scope of their work and increase in responsibilities of the directors. No director takes part in deciding his own remuneration.



**Auditors:**

M/s Crowe Hussain Chaudhury & Co., Chartered Accountants retired and being eligible, offered themselves for re-appointment and the Board's Audit Committee has also recommended their re-appointment which is endorsed by the Board for the year ending 30 June 2022.

**Code of Conduct:**

The code of conduct has been developed and has been communicated and acknowledged by each Director and Employee of the Company.

**Related Party Transactions:**

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchange in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. During the year, the Company carried out transactions with its related parties. Details of these transactions are disclosed in financial statements attached therein (note 32). Details of related party transactions are placed before the Audit Committee, and upon recommendation of the Board Audit Committee, the same are placed before the Board of Directors for review and approval in accordance with regulatory requirements.

**Social Responsibility:**

Your company has very distinct Corporate and Social Responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates. Its philanthropic activities include participation in health and environmental protection initiatives.

**Safety, Health and Environment:**

We maintain our commitment to high standards of safety, health and environment. We are committed in providing clean, healthy and safe conditions to our employees. All of our employees are continuously updated on relevant aspects of safety especially with regards to safe production, delivery, storage and handling of inventory items. Safety values are demonstrated in our day to day activities through lead by example approach. Due to these controls and with the blessing of Almighty Allah no major accidents or incidents took place at the mill during the year.

**Pattern of Shareholding:**

Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in shares of the Company was carried out by the CEO, CFO and Company Secretary and their spouses and minor children.

**Subsequent Events:**

No material changes or commitments affecting the Company happened after the year end up to the date of this report.

**Acknowledgement:**

The directors express their gratitude for the continued support of shareholders and employees of the Company during the period under review and pray to Allah for better prospects in future.

For & on behalf of the Board of Directors

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Lahore  
06 October, 2021



## ڈائریکٹر رپورٹ

کارکردگی:

کمپنی ڈائریکٹر 30 جون 2021ء کو ختم ہونے والے سال کی 60 ویں سالانہ رپورٹ بمعہ مالیاتی حسابات اور آڈٹ رپورٹ پیش کرتے ہیں۔

اللہ کی مہربانی سے سال رواں میں کمپنی کو خالص منافع 59.43 ملین روپے کا ہوا جبکہ گزشتہ سال 25.042 ملین روپے کا نقصان تھا۔ گزشتہ سال کے گراس منافع 59.146 ملین روپے کے مقابلے میں اس سال گراس منافع 130.246 ملین روپے کا ہوا۔ اس سال کمپنی کی سبز 1.230 ملین روپے رہی جبکہ گزشتہ سال یہ 0.921 ملین روپے تھی۔ اس سال میں ہم نے BMR کا آغاز کیا ہے اور اس مد میں سال رواں میں کمپنی کے پلانٹ اور مشینری میں 55.447 ملین روپے کی سرمایہ کاری کی گئی جبکہ آنے والے سال میں مزید 50.00 ملین روپے کی سرمایہ کاری کا ارادہ ہے۔ اس کے علاوہ صاف انرجی کے حصول میں ایک ذمہ دار کمپنی کے ہوتے ہوئے ہم نے آزمائشی طور 120KW کا سولر لوٹن نصب کیا ہے اور آئندہ آنے والے سالوں میں اس میں مزید اضافے کا ارادہ ہے۔ یہ تمام سرمایہ کاری کمپنی نے اپنے منافع سے کی ہے بغیر کسی فنانشل ادارے کی مدد کے۔

کلیدی آپریشنل اور مالیاتی ڈیٹا:

جون 2021ء (روپے 000)	جون 2020ء (روپے 000)	جون 2019ء (روپے 000)	جون 2018ء (روپے 000)	جون 2017ء (روپے 000)	جون 2016ء (روپے 000)	جون 2015ء (روپے 000)
1,230,010	921,250	979,881	854,392	801,430	483,006	586,437
130,246	59,146	85,254	48,176	43,915	15,037	38,568
87,222	23,934	54,684	21,444	21,067	(8,756)	13,734
80,734	(1,832)	42,758	13,060	8,132	(18,025)	32,149
(21,192)	(23,210)	(5,644)	(2,413)	676	(4,737)	(2,051)
59,543	(25,042)	37,114	1,065	8,809	(22,763)	30,098
866,901	828,577	811,059	606,487	555,566	610,421	569,018
174,181	166,913	132,778	167,362	108,391	151,979	72,941
692,720	661,664	678,281	439,125	447,175	458,442	496,077
563,211	543,911	571,517	363,685	353,055	343,860	366,130
52,209	26,270	36,700	48,700	60,700	72,700	84,700
77,300	91,483	70,065	26,740	33,420	41,882	45,247
692,720	661,664	678,281	439,125	447,175	458,442	496,077

فی شیئر آمدنی:

30 جون 2021ء کے لئے فی شیئر آمدنی 9.91 روپے رہی (5.63 - 2020)

مستقبل:

سال رواں میں حکومت کی جانب سے انڈسٹری کو نئے کے مقابلے میں جلدی کھولنے اور سپورٹ پیکیج کی فراہمی کی وجہ سے ایک تو COVID-19 سے معاشی اثرات کو کم کرنے میں مدد ملی اور دوسرے عالمی برآمدی آرڈر کی وجہ سے ملکی ٹیکسٹائل انڈسٹری اپنے پوری صلاحیت کے مطابق چلی۔ لیکن اب جبکہ خطے کے دوسرے ممالک بلخصوص انڈیا اور بنگلہ دیش بھی کھل چکے ہیں ہم آنے والے وقتوں میں سخت مسابقت دیکھتے ہیں اور اسکے اثرات ابھی سے گزشتہ سال کے مقابلے میں دھاکے کی قیمتوں میں کمی سے دیکھے جاسکتے ہیں اور اس کا اثر منافع پر بھی پڑے گا۔

ٹیکسٹائل کے شعبے کو دو مشکلات کا سامنا ہے ایک تو کپاس کی دستیابی اور دوسرا توانائی کی مستقل طور پر کم نرخ میں فراہمی ہے۔

اس سال کپاس کی فصل کی پیداوار تقریباً 8.46 ملین بیلتون متوقع ہیں جو کہ اپنے پیداواری ٹارگٹ سے کم ہے لیکن گزشتہ سال کے مقابلے میں کپاس کی کوالٹی نسبتاً بہتر ہے۔ لیکن اس سال بھی کپاس کی درآمد کرنی پڑے گی جو کہ ملکی خزانے پر بوجھ ہے۔ مختلف وجوہات کی وجہ سے گزشتہ کئی سال سے کپاس کی فصل کا ہدف حاصل نہیں ہو سکا ان میں موسمیاتی تبدیلیاں غیر تصدیق شدہ بیج غیر معیاری کیڑے مار دوا یا ت، پیداواری لاگت میں اضافہ کی وجہ سے کسان کا کم ہوتا ہوا منافع



شامل ہے۔ حکومت کو اس مسئلے پر قابو پانے کیلئے صحیح سمت میں اقدامات کرنے چاہیے اور کسانوں کی ہر ممکن مدد کرنی چاہیے حکومت نے بجلی اور گیس مسابقتی نرخوں پر فراہمی کی یقین دہانی کرائی ہے جس میں گیس 6.5 \$ فی MMBTU اور بجلی 9 \$/KWH سینٹ ہے۔ لیکن حکومت کو چاہیے کہ انڈسٹری کو ان نرخوں میں بجلی اور گیس کی دستیابی 5 سال کیلئے کرے تاکہ ٹیکسٹائل انڈسٹری پر اعتماد ہو۔ اور بجلی مدت کیلئے سرمایہ کاری کرے۔

ہم ان مشکلات سے بخوبی آگاہ ہیں اور اس سے نمٹنے کیلئے تیار ہے۔ ہم آنے والے سالوں میں ملکی معیشت کے مستحکم ہونے کیلئے پرامید ہیں۔

### ڈیویڈنڈ کی ادائیگی:

بورڈ آف ڈائریکٹرز نے رواں سال آڈٹ کمیٹی کی تجویز پر 10 برابری ایک روپیہ فی شیئر تجویز کیا ہے۔ جسکی منظوری شیئرز ہولڈرز سے آنے والے سالانہ جنرل میٹنگ جو کہ 28 اکتوبر 2021 کو منعقد ہوگی میں لی جائے گی۔

### کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا طریقہ کار:

- 1- کمپنی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اسکے امور آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تقییدہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔
- 5- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- 6- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی شماریات منسلک ہیں۔
- 7- پیٹرن آف شیئرز ہولڈنگز برائے سال 30 جون 2021 کا انکشاف کوڈ آف کارپوریٹ گورننس کے مطابق اس رپورٹ کے ساتھ منسلک ہے۔
- 8- کمپنی نے کارپوریٹ گورننس کے بہترین طریقہ کو اختیار کیا ہے جو کہ لسٹنگ ریگولیشن آف سٹاک ایکسچینج کے مطابق ہے۔

### اندرونی کنٹرول کا نظام:

کمپنی نے ہمیشہ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہونے پر زور دیا ہے اور اس کی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔

### قانونی ادائیگیاں:

کوئی قانونی ادائیگی واجب الادا نہیں جو 30 جون 2021 و بتایا ہوں ماسوائے ان کے جن کا مالی حسابات میں ظاہر کیا گیا۔

### بورڈ آف ڈائریکٹرز کی ترتیب:

کل ڈائریکٹران بشمول چیف ایگزیکٹو کی تعداد 7 ہے۔ جن میں سے 6 میل ڈائریکٹرز اور ایک فی میل ڈائریکٹر ہے۔

بورڈ آف ڈائریکٹرز کی کمپوزیشن درج ذیل ہے۔

نام	کیٹگری
☆ عمر محی الدین ملک	☆ انڈیپنڈنٹ ڈائریکٹرز
☆ زینب خان	
☆ محمد حمید	☆ ایگزیکٹو ڈائریکٹرز
☆ عامر حمید	
☆ اعجاز حمید	☆ نان ایگزیکٹو ڈائریکٹرز
☆ طارق حمید	
☆ مرتضیٰ حمید	
☆ زینب خان	☆ خاتون ڈائریکٹر



### بورڈ آف ڈائریکٹر کے اجلاس

ختم ہونے والے سال 30 جون 2021ء میں 16 اجلاس ہوئے۔ حاضری کی پوزیشن مندرجہ ذیل ہے:

☆	محمد حمید	6
☆	اعجاز حمید	6
☆	عامر حمید	6
☆	طارق حمید	6
☆	عمری الدین ملک	6
☆	مرتضیٰ حمید	6
☆	زینب خان	6

### بورڈ کمیٹیز:

بورڈ کے کاموں میں مدد اور فیصلہ سازی کیلئے بورڈ نے دو کمیٹیاں تشکیل دی ہیں جن کی سربراہی انڈیپنڈنٹ ڈائریکٹر کے پاس ہے۔ یہ کمیٹیاں مندرجہ ذیل ہیں۔

### آڈٹ کمیٹی

درج ذیل تین ممبران پر مشتمل ہے۔

☆	عمری الدین ملک	چیئر مین
☆	زینب خان	ممبر
☆	مرتضیٰ حمید	ممبر

### آڈٹ کمیٹی کے اجلاس

رواں سال آڈٹ کمیٹی کے چار اجلاس ہوئے۔ حاضری درج ذیل ہے۔

☆	عمری الدین ملک	4
☆	زینب خان	4
☆	مرتضیٰ حمید	4

### ہیومن ریسورس اینڈ ریمونریشن کمیٹی

مندرجہ ذیل تین ممبران پر مشتمل ہے

☆	زینب خان	چیئر پرسن
☆	اعجاز حمید	ممبر
☆	عمری الدین ملک	ممبر

### ہیومن ریسورس اینڈ ریمونریشن کے اجلاس:

ہیومن ریسورس اینڈ ریمونریشن کمیٹی کے 12 اجلاس ہوئے حاضری درج ذیل ہے:

☆	زینب خان	2
☆	عمری الدین ملک	2
☆	اعجاز حمید	2

**گریجویٹ فنڈ کی ویلیو آف انویسٹمنٹ:**

کمپنی نے اپنے ملازمین کیلئے گریجویٹ فنڈ برقرار رکھا ہوا ہے لیکن اس 30 جون 2021 کو کوئی پلان ایسٹ اس لائبلٹی کو کوٹ نہیں کرتا۔

**حسابات کی کتب:**

کمپنی نے اپنے رجسٹرڈ آفس میں مکمل حسابات کی کتب رکھی ہوئی ہیں۔

**ڈائریکٹرز کا مشاہرہ:**

ہیومن ریسورس اور ریویویشن کمیٹی نے ڈائریکٹرز کے مشاہرہ کی پالیسی تیار کی اور اسے بورڈ کو تجویز کیا ہے جو کہ منظور کر لی گئی۔ یہ پالیسی کمیٹیز ایکٹ 2017، کمپنی کے آرٹیکل آف ایسوسی ایشن اور کوڈ آف کارپوریٹ گورننس ریگولیشن مارکیٹ سٹینڈرڈ اور کام کو مد نظر رکھ کر تیار کی گئی۔ جو ڈائریکٹرز مشاہرہ لیتے ہیں انہوں نے اس پالیسی کو بنانے میں حصہ نہیں لیا

**آڈیٹرز:**

میسرز کرو حسین چوہدری اینڈ کمپنی ریٹائر ہو گئے ہیں۔ اہل ہونے کی بناء پر سال 2021-22ء کیلئے بطور آڈیٹر دوبارہ تقرری کیلئے خود کو پیش کرتے ہیں۔ اور آڈٹ کمیٹی بھی ان کے تقرر کی سفارش کرتے ہیں جسکو بورڈ آف ڈائریکٹرز کی بھی تائید حاصل ہے۔

**کوڈ آف کنڈکٹ:**

بنایا گیا کوڈ آف کنڈکٹ تمام ڈائریکٹرز اور کمپنی کے ملازمین کو ارسال کیا گیا اور اسکی تصدیق بھی کی گئی۔

**متعلقہ پارٹی کی ٹرانزیکشن:**

متعلقہ پارٹی کی تمام ٹرانزیکشن لسٹر ریگولیشنز آف سٹاک ایکچینج کے بیان کئے گئے بہترین طریقوں کے مطابق کی گئی۔ ان ٹرانزیکشن کی تفصیل فنانشل سٹیٹمنٹ کے نوٹ نمبر 32 میں بیان کی گئی ہے۔ تمام ٹرانزیکشن کو آڈٹ کمیٹی کے جائزہ کیلئے رکھا گیا اور ان کی سفارش پر بورڈ آف ڈائریکٹرز نے ان کا جائزہ لیا اور ان کو منظور کیا۔

**کارپوریٹ سوشل ذمہ داری:**

آپ کی کمپنی کا اپنی کارپوریٹ سوشل ذمہ داری کا بخوبی احساس ہے اور وہ صحت اور ماحولیات کو اچھا رکھنے کیلئے اپنے تئیں اپنی ذمہ داری پوری کر رہی ہے۔

**تحفظ، صحت اور ماحول:**

ہم اپنے ملازمین اور عوام کیلئے اعلیٰ معیار کے تحفظ، صحت اور ماحول کیلئے پرعزم ہیں۔ ہم اپنے ملازمین کو صاف ستھرا، صحت مند اور محفوظ حالات فراہم کرنے کے لئے پرعزم ہیں۔ ہمارے تمام ملازمین کو اپنے تحفظ کی، محفوظ پیداوار کی اور خام مال کی محفوظ ادائیگی، پنڈ لگ اور سٹوریج کی مشق کروائی جاتی ہے۔ ان مشقوں اور اللہ تعالیٰ کے خصوصی کرم کی وجہ سے کوئی بڑا حادثہ نہیں ہوا۔

**پیٹرن آف شیئر ہولڈنگ:**

پیٹرن آف شیئر ہولڈنگ اور اضافی معلومات علیحدگی سے منسلک ہیں۔ کمپنی کے شیئرز میں چیف ایگزیکٹو، سی ایف او اور کمپنی سیکرٹری، ان کے سپاؤز نے اور ان کے چھوٹے بچوں نے کوئی تجارت/کاروبار نہیں کیا ہے۔

**بعد از واقعات:**

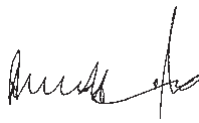
کمپنی کے مالی سال کے ختم ہونے سے اس رپورٹ کی تاریخ تک کوئی ایسی خاص میٹریل میں تبدیلی نہیں آئی۔

**اعتراف:**

کمپنی اپنے ملازمین، شیئر ہولڈرز اور دیگر ذمہ دار کے مسلسل تعاون پر شکرگزار ہے۔



محمد حمید  
چیف ایگزیکٹو



عامر حمید  
ڈائریکٹر

لاہور

مورخہ 6- اکتوبر 2021



STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019  
FOR THE YEAR ENDED 30 June 2021

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

1. The total number of directors are 7 as per the following:

- a. Male: 6  
b. Female: 1

2. The composition of the Board is as follows:

Category	Names
Independent Directors *	Mr. Omer Mohyudin Malik Ms. Zainab Khan
Executive Directors	Mr. Muhammad Hameed Mr. Aamer Hameed
Non-Executive	Mr. Ijaz Hameed Mr. Tariq Hameed Mr. Murtaza Hameed
Female Director	Ms. Zainab Khan

Two independent directors were appointed and fraction of 0.33 was not rounded up since the fractions is below half (0.5), accordingly the fraction contained in such one-third is not rounded up as one.

3. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company.
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 meeting of the Board was 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 this Act and regulations with respect to frequency, recording and circulating minutes of the meetings of the Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Four members of the Board are exempted from Directors' Training Program by virtue of their requisite qualification and required experience of serving on the Board of a listed company, and two have attended the Directors' Training Program as prescribed.
10. The Board has approved appointment of CFO, Company Secretary, and Internal Auditor including their remuneration and terms and conditions of employment and complied with relevant requirements of 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 the members given below:
- a) Audit Committee
    - i) Omer Mohyudin Malik (Chairman -Independent Director)
    - ii) Zainab Khan (Member - Independent Director)
    - iii) Murtaza Hameed (Member - Non- Executive Director)
  - b) HR & Remuneration Committee
    - i) Zainab Khan (Chairperson -Independent Director)
    - ii) Ijaz Hameed (Member - Non-Executive Director)
    - iii) Omer Mohyudin Malik (Member - Independent Director)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees was as per following:
- a) Audit Committee: 4
  - b) HR and Remuneration Committee: 2
15. The Board has outsourced the internal audit function to Awan & Co Chartered Accountants who are considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. They are involved in the internal audit functions on full time basis.
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 persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (Not applicable):

For & on behalf of the Board of Directors

(IJAZ HAMEED)  
Chairman

Lahore  
06 October, 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF****SERVICE INDUSTRIES TEXTILES 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 Service Industries Textiles Limited ("the Company") for the year ended June 30, 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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

Lahore  
06 October, 2021



(CROWE HUSSAIN CHAUDHURY & CO.)  
Chartered Accountants

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVICE INDUSTRIES TEXTILES LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss account, 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 Company's affairs as at June 30, 2021 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

Following is the Key Audit Matter:

Sr. No.	Key audit matter	How the matter was addressed in our audit
	<p><b>Issuance of Shares against share deposit money</b></p> <p>During the year ended June 30, 2021, the Company issued ordinary shares against share deposit money as disclosed in note 6.2 of the financial statements.</p> <p>We have identified this as a key audit matter since this represents a significant transaction for the year.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>Reviewed the approval of the shareholders of the Company for the issuance of shares against share deposit money by way of otherwise than rights shares, given in Annual General Meeting of the Company held on October 28, 2020;</li> <li>Reviewed the approval granted by the Securities and Exchange Commission of Pakistan (SCEP) to issue 9,338,408 ordinary shares to sponsors/directors at Rs. 12 per share including premium of Rs. 2 per share, by way of otherwise than right offer;</li> </ul>

Sr. No.	Key audit matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>● Reviewed the correspondence/forms filed with the SECP after issuance of such shares.</li> <li>● Reviewed the recording of these transactions in books of account of the Company for the year ended June 30, 2021; and</li> <li>● Assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.</li> </ul>

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.



## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital			
20,000,000 (2020: 20,000,000) ordinary shares			
of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital	6	137,875,670	44,491,590
Share deposit money	7	-	150,000,000
Accumulated loss		(59,415,806)	(152,466,845)
Surplus on revaluation of property, plant and equipment - net	8	<u>484,750,860</u>	<u>501,886,099</u>
		563,210,724	543,910,844
<b>Non Current Liabilities</b>			
Long term financing	9	52,209,054	26,270,040
Post employment benefit obligations	10	11,956,214	8,924,032
Government dues payable	12.2	1,425,270	12,325,474
Deferred tax liability	11	<u>63,918,455</u>	<u>70,234,006</u>
		129,508,993	117,753,552
<b>Current Liabilities</b>			
Trade and other payables	12	129,613,176	134,432,353
Unclaimed dividends		232,987	232,987
Unpaid dividends		364,412	434,829
Current portion of long term financing	9	12,000,090	12,000,090
Accrued markup on long term financing		5,546,056	5,985,685
Provision for taxation	13	<u>26,424,478</u>	<u>13,826,623</u>
		174,181,199	166,912,567
Contingencies and Commitments	14	-	-
		<u>866,900,916</u>	<u>828,576,963</u>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	15	717,220,869	688,123,751
Long term deposits and other receivables	16	<u>16,297,023</u>	<u>15,481,023</u>
		733,517,892	703,604,774
<b>Current Assets</b>			
Stores and spares	17	4,843,349	4,082,747
Stock in trade	18	53,941,063	58,539,716
Trade debts	19	1,944,041	1,269,870
Advances and prepayments	20	24,715,369	12,835,585
Cash and bank balances	21	<u>47,939,202</u>	<u>48,244,271</u>
		133,383,024	124,972,189
		<u>866,900,916</u>	<u>828,576,963</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer



**STATEMENT OF PROFIT OR LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
Revenue from sales	22	1,230,009,524	921,249,869
Cost of sales	23	(1,099,763,761)	(862,104,009)
Gross Profit		130,245,763	59,145,860
Operating expenses:			
- Distribution costs	24	(8,375,749)	(6,362,414)
- Administrative expenses	25	(34,648,012)	(28,849,274)
		(43,023,761)	(35,211,688)
Operating Profit		87,222,002	23,934,172
Finance cost	26	(5,010,180)	(7,599,889)
Other operating expenses	27	(8,161,135)	(24,971,120)
Other income		6,684,287	6,804,437
		(6,487,028)	(25,766,572)
Profit / (Loss) before Taxation		80,734,974	(1,832,400)
Income tax expense	28	(21,192,084)	(23,210,066)
Net Profit / (Loss) for the year		59,542,890	(25,042,466)
Earnings per Share - Basic	29	9.91	(5.63)
Earnings per Share - Diluted	29	9.91	(1.29)

The annexed notes from 1 to 40 form an integral part of these financial statements.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
	Rupees	Rupees
Net Profit / (Loss) for the Year	59,542,890	(25,042,466)
Other Comprehensive Income for the Year		
Items that may be reclassified to profit or loss	-	-
Items that will not be reclassified to profit or loss		
Experience adjustment on remeasurement of post employment benefits	(3,244,938)	2,656,090
Related deferred tax impact	941,032	(770,266)
	(2,303,906)	1,885,824
Total Comprehensive Income / (Loss) for the Year	57,238,984	(23,156,642)

The annexed notes from 1 to 40 form an integral part of these financial statements.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer





**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2021**

Particulars	Share Capital	Share Deposit Money	Capital Reserves	Revenue Reserves	Surplus on Revaluation of Property, Plant and Equipment	Total
			Share Premium Reserve	Accumulated (Loss) / Unappropriated Profit		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2019	44,491,590	150,000,000	-	(142,422,421)	519,447,476	571,516,645
Net loss for the year	-	-	-	(25,042,466)	-	(25,042,466)
Other comprehensive income for the year	-	-	-	1,885,824	-	1,885,824
Total comprehensive loss for the year	-	-	-	(23,156,642)	-	(23,156,642)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	17,561,377	(17,561,377)	-
Annual dividend for the year ended June 30, 2019	-	-	-	(4,449,159)	-	(4,449,159)
Balance as at June 30, 2020	44,491,590	150,000,000	-	(152,466,845)	501,886,099	543,910,844
Net profit for the year	-	-	-	59,542,890	-	59,542,890
Other comprehensive loss for the year	-	-	-	(2,303,906)	-	(2,303,906)
Total comprehensive profit for the year	-	-	-	57,238,984	-	57,238,984
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	15,805,239	(15,805,239)	-
Surplus on revaluation of property, plant and equipment realized on disposal	-	-	-	1,330,000	(1,330,000)	-
Transferred to share capital	-	(93,384,080)	-	-	-	(93,384,080)
Transferred to share premium	-	(18,676,816)	-	-	-	(18,676,816)
Issue of share capital	93,384,080	-	-	-	-	93,384,080
Transferred to long term financing	-	(37,939,104)	-	-	-	(37,939,104)
Premium on issuance of shares	-	-	18,676,816	-	-	18,676,816
Balance as at June 30, 2021	137,875,670	-	18,676,816	(78,092,622)	484,750,860	563,210,724

The annexed notes from 1 to 40 form an integral part of these financial statements.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		80,734,974	(1,832,400)
Adjustments for:			
- Depreciation		37,668,448	37,675,733
- Post employment benefits		5,420,763	4,734,394
- Advances written off		-	66,428
- Liabilities written back		(5,651,477)	(5,463,178)
- Workers' (profit) participation fund		4,437,601	-
- Workers' welfare fund		1,962,284	415,373
- Gain on disposal of fixed assets		106,270	-
- Finance cost		5,010,180	7,599,889
		48,954,069	45,028,639
Operating profit before working capital changes		129,689,043	43,196,239
(Increase) / decrease in current assets:			
- Stores and spares		(760,602)	(41,174)
- Stock in trade		4,598,653	(640,506)
- Trade debts		(674,171)	(1,000,312)
- Refunds due from the government - Sales tax		(5,971,053)	12,046,624
- Advances and prepayments		(6,743,521)	14,159
(Decrease) / increase in current liabilities:			
- Trade and other payables		(10,496,736)	35,453,747
		(20,047,430)	45,832,538
Cash Generated from Operations		109,641,613	89,028,777
Income tax paid		(19,105,011)	(12,651,670)
Finance cost paid		(5,449,809)	(5,553,294)
Post employment benefit paid		(5,633,519)	(3,336,550)
Net Cash Generated from Operating Activities		79,453,274	67,487,263
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(69,971,836)	(28,481,727)
Proceeds from disposal of property, plant and equipment		3,100,000	-
Capital work in progress - Property, plant and equipment		-	-
Long term deposits and other receivables		(816,000)	1,555,000
Net Cash Used in Investing Activities		(67,687,836)	(26,926,727)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(70,417)	(4,014,330)
Long term financing - obtained		6,513,800	-
Long term financing - paid		(18,513,890)	(10,430,090)
Net Cash Used in Financing Activities		(12,070,507)	(14,444,420)
Net (Decrease) / Increase in Cash and Cash Equivalents		(305,069)	26,116,116
Cash and cash equivalents at the beginning of the year		48,244,271	22,128,155
Cash and Cash Equivalents at the End of the Year		47,939,202	48,244,271

The annexed notes from 1 to 40 form an integral part of these financial statements.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Note 1

#### Company and its Operations

- 1.1 Service Industries Textiles Limited (the Company) was incorporated in Pakistan in 1962 as a Private Limited Company under the repealed Companies Act 1913, (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company in 1970. The Company is domiciled in Pakistan and listed on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton and synthetic fibre.
- 1.2 The Information on geographical location and address of the Company's business is as under:
- The registered office of the Company is situated at 38 - Empress Road, Lahore.
  - The Company's factory is situated at Rehman Shaheed Road, Gujrat.

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

Where provisions of and directives issued under the Companies Act, 2017 differ from IFRS standards, 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 under the historical cost convention except to the extent of following:

Post employment benefits (Gratuity)	Note 10	(stated at Present value)
Certain property, plant and equipment	Note 15	(stated at Revalued / Fair value)

##### 2.3 Functional and presentational currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

### Note 3

#### Changes in Accounting Standards, Interpretations and Pronouncements

##### 3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

##### 3.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

*Note 3, Changes in Accounting Standards, Interpretations and Pronouncements - Contd...*

## Standard or Interpretation

Effective Date  
(Period beginning on or after)

IAS 1 Presentation of Financial Statements [Amendments]  
 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]  
 IAS 16 Property, Plant and Equipment [Amendments]  
 IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]  
 IAS 12 Income Taxes [Amendments]  
 Annual improvements to IFRS Standards 2018-2020

January 1, 2022 & January 1, 2023  
 January 1, 2023  
 January 1, 2022  
 January 1, 2022  
 January 1, 2023  
 January 1, 2022

The Company will assess the impacts of these changes in the period of initial application once such changes become effective for the Company.

## Note 4

## Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements are relating to the useful lives and residual values of property, plant and equipment; provision for doubtful receivables; post employment provisions for defined benefit plans; slow moving and obsolete inventory; recovery of trade debts and taxation.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statements of the Company for the year ended June 30, 2021 are consistent with previous year's unless otherwise stated.

## 4.1 Property, plant and equipment

"The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in remaining useful life might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any."

Furthermore, certain property, plant and equipment carried at revalued amounts as disclosed in note 15 to the financial. The process of revaluation which require estimation about their fair values as at the reporting date.

## 4.2 Post employment benefits obligations

The Company has recorded its post employment benefits at present value using actuarial assumptions regarding increase in salaries in subsequent years and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the fair value of post-employment benefits payable and the charge for such liability accounted for in any given period.

## 4.3 Inventories

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of this inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

## 4.4 Taxation

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



## Note 5 Significant Accounting Policies

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The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

### 5.1 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event 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 amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 5.2 Post employment benefits

"The Company operates an approved, funded defined benefit plan for all of its permanent employees. Under this plan, gratuity is paid to the retiring employees on the basis of their last drawn gross salary for each completed year of service."

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefits plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of profit or loss account.

Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out at each reporting date.

### 5.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

### 5.4 Income tax expense

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

#### 5.4.1 Current

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*Note 5, Significant Accounting policies - Contd...***5.4.2 Deferred**

Deferred tax is recognized using the balance sheet method on all temporary differences between the carrying amount of assets, liabilities and their tax bases.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been notified for subsequent enactment at the reporting date.

**5.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses, if any, except freehold land, building on freehold land, plant and machinery, power plant and electrical equipments which is stated at revalued amount. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from their fair values. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets also includes cost of the borrowing during construction period in respect of loans taken for procuring such assets.

Depreciation on property, plant and equipment, except freehold land and leasehold improvement, is charged to profit or loss account on reducing balance method at the rates specified in note 15 of the financial statements. Depreciation on leasehold improvement is charged to profit or loss account on straight line basis as disclosed in note 15 of financial statements. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life. Incremental depreciation representing the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset is transferred to equity from surplus on revaluation of property, plant and equipment. All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred taxes.

Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Depreciation method, residual value and useful lives of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

Increases in the carrying amounts arising due to revaluation are credited to revaluation surplus on property, plant and equipment. Decreases that offset previous increases of any other fixed asset of the Company are debited against revaluation surplus directly in equity. All other decreases are charged to profit or loss.

*Note 5, Significant Accounting policies - Contd...**Note 5.5, Property, plant and equipment - Contd...***Capital work-in-progress**

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating fixed assets as and when these are available for use.

**Borrowing cost**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss account in the period in which they are incurred.

**5.6 Impairment**

Carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the statement of profit or loss account.

**5.7 Stores and spares**

These are valued at lower of moving average cost and net realizable value; whilst items considered obsolete are written off. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

**5.8 Stock in trade**

These are valued at lower of cost and net realizable value. The cost is determined by using the following basis:

Raw and packing materials	-	Moving average cost
Materials in transit	-	Invoice value plus incidental charges
Work in process	-	Estimated manufacturing cost
Finished goods	-	Average manufacturing cost

Manufacturing cost in relation to work in process and finished goods comprises cost of materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price in the ordinary course of business less necessary costs to make the sale.

**5.9 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand and cash at banks in current and savings accounts.

**5.10 Related party transactions**

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party are at arm's length prices determined using the comparable uncontrolled price method, except in circumstances where it is not in the interest of the Company to do so.

**5.11 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.





*Note 5, Significant Accounting Policies - Contd...*

*Note 5.11 Financial instruments .... - Contd...*

#### 5.11.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

##### Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

##### Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

##### Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the profit or loss account.

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the other comprehensive income.

##### Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

##### Impairment of financial assets

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable or a contract asset. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.





*Note 5, Significant Accounting Policies - Contd...*

*Note 5.11, Financial Instruments - Contd...*

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

#### 5.11.2 Financial liabilities

##### Initial recognition and measurement

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

The Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Such liabilities are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.



*Note 5, Significant Accounting Policies - Contd...*

*Note 5.11, Financial Instruments - Contd...*

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

#### All other liabilities

All other financial liabilities are measured at amortized cost using the Effective Interest Rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

#### Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

#### Offsetting of financial assets and liabilities

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

### 5.12 Balances from contract with customers

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

#### Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

#### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

### 5.13 Earnings per Share

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

*Note 5, Significant Accounting Policies - Contd...***5.14 Fair value measurement**

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is then initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out. The Company's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

**5.15 Foreign currency transactions and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak rupees at exchange rates prevailing at the date of transaction. Exchange gains and losses are included in the statement of profit or loss account.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities measured at fair value through OCI are recognised in other comprehensive income.

**5.16 Revenue recognition**

Revenue is to be recognised in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation.

The Company is in the business of sale of goods. Revenue from contracts with customers is recognised at a point in time when control of the goods is transferred to the customers which is usually at the time of delivery of goods, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

**5.17 Segment reporting**

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses, and income tax assets and liabilities.



## Note 5, Significant Accounting Policies - Contd...

## 5.18 Contingent liabilities

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.

A contingent liability is also disclosed when 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.

## 5.19 Dividend and other appropriations

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

## Note 6

## Issued, Subscribed and Paid up Capital

2021	2020		2021	2020
Number of shares			Rupees	Rupees
2,884,580	2,884,580	Ordinary shares of Rs. 10 each	28,845,800	28,845,800
23,400	23,400	Ordinary shares of Rs. 10 each issued for consideration other than cash	234,000	234,000
1,541,179	1,541,179	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	15,411,790	15,411,790
9,338,408	-	Ordinary shares of Rs. 10 each issued at premium of Rs. 2 to sponsors	93,384,080	-
<u>13,787,567</u>	<u>4,449,159</u>		<u>137,875,670</u>	<u>44,491,590</u>

## 6.1 Reconciliation of number of shares outstanding

Number of shares outstanding at the beginning of the year  
Issued against share deposit money

Number of shares outstanding at the end of the year

2021	2020
Number of shares	
4,449,159	4,449,159
9,338,408	-
<u>13,787,567</u>	<u>4,449,159</u>

6.2 In October 2020, the general meeting of shareholders approved the issue of 9,338,408 ordinary shares of Rs. 10 each, were issued at premium of Rs. 2 per shares. These shares were issued against share deposit money.

6.3 23,400 shares of Rs. 10 each were issued to Pakistan Industrial Credit and Investment Corporation (PICIC) for consideration other than cash. (2020: 23,400 shares)

6.4 There are no agreements with shareholders for any specific voting rights, board selection, rights of first refusal and block voting etc.



Note 7  
Share Deposit Money

This represented unsecured and interest free deposit received from the directors of the company for the issuance of shares. During the year, the Company issued shares amounting to Rs. 93.384 million at a premium of Rs. 2 per share as approved by the Securities and Exchange Commission of Pakistan (SECP), and the remaining balance was shifted to long term financing at the original terms.

	2021	2020
	Rupees	Rupees
7.1 Movement in share deposit money		
Opening Balance	150,000,000	150,000,000
Shares issued during the year	(112,060,896)	-
Transferred to long term financing	(37,939,104)	-
	<u>-</u>	<u>150,000,000</u>

Note 8  
Surplus on Revaluation of Property, Plant and Equipment - net

	2021	2020
	Rupees	Rupees
Land - freehold	343,833,702	343,833,702
Factory buildings on freehold land	77,602,062	86,224,513
Plant and machinery	73,069,472	81,188,302
Electric fittings, equipment and appliances	7,380,863	8,200,959
	<u>501,886,099</u>	<u>519,447,476</u>
Incremental depreciation charged on revalued property, plant and equipment in current year transferred to retained earnings - net of deferred tax	(15,805,239)	(17,561,377)
Surplus realized on disposal of revalued property, plant and equipment transferred to retained earnings - net of deferred tax	<u>(1,330,000)</u>	<u>-</u>
	<u>484,750,860</u>	<u>501,886,099</u>

8.1 This represents surplus over book value resulting from the revaluation of above-mentioned assets, adjusted by incremental depreciation arising on revaluation of the above-mentioned assets except freehold land. Latest revaluation was carried out by an approved, independent valuer on June 30, 2019 that has resulted in additional revaluation surplus of Rs. 220.628 million. Following basis has been used for revaluation.

- Land	Market value
- Building	Depreciated replacement cost
- Plant and machinery	Depreciated replacement cost
- Power plant	Depreciated replacement cost
- Electric fittings, equipment and appliances	Depreciated replacement cost

The surplus on revaluation of property, plant and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

Note 9  
Long Term Financing

		2021	2020
	Note	Rupees	Rupees
Related parties - Unsecured			
Loan from Directors / Related parties	9.1	64,209,144	38,270,130
Less: Current portion		<u>(12,000,090)</u>	<u>(12,000,090)</u>
		<u>52,209,054</u>	<u>26,270,040</u>

9.1 This represents financing obtained from directors from time to time, to pay off financing previously obtained from the banks and meet the liquidity requirements of the Company. The outstanding balance of this financing is repayable in equal monthly instalments of Rs. 1 million each. This financing is unsecured and carries mark-up at 3 months KIBOR plus 1%.



Note 10

Post Employment Benefit Obligations

		2021	2020
		Rupees	Rupees
Post employment benefit obligations		11,956,214	8,924,032
10.1	The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2021. Following key information is included in that actuarial report:		
10.2	Movement in net liability for defined benefit obligations		
	Note	2021	2020
		Rupees	Rupees
	Opening balance	8,924,032	10,182,278
	Charge for the year	5,420,763	4,734,394
	Net remeasurements for the year - Other comprehensive income	3,244,938	(2,656,090)
		17,589,733	12,260,582
	Benefits paid during the year	(5,633,519)	(3,336,550)
	Closing balance - net defined benefit liability	11,956,214	8,924,032
10.3	Movement in present value of defined benefit obligations		
		2021	2020
		Rupees	Rupees
	Opening balance	8,924,032	10,182,278
	Current service cost for the year	3,997,647	3,521,149
	Past Service Cost	903,998	
	Interest cost for the year	519,118	1,213,245
	Remeasurement adjustments	3,244,938	(2,656,090)
	Benefits paid during the year	(5,633,519)	(3,336,550)
	Closing balance	11,956,214	8,924,032
10.4	Charge for the year		
	Current service cost	3,997,647	3,521,149
	Past service cost	903,998	-
	Interest cost	519,118	1,213,245
		5,420,763	4,734,394
10.5	Actuarial assumptions		
	The present value of defined benefit obligations and charge for the current year has been determined on the basis of actuarial estimates provided by the actuary as under:		
		2021	2020
	Discount rate - per annum	8.50%	14.25%
	Expected rate of increase in salary level - per annum	10.00%	8.50%
	Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	
	Actuarial valuation method	Projected Unit Credit Method	
10.6	Estimated Charge for the year 2021-2022		2022
			Rupees
	Current service cost		4,303,070
	Interest cost		893,371
			5,196,441



## Note 10, Post Employment Benefit Obligations - Contd...

## 10.7 Year end sensitivity analysis on defined benefit obligations

Reasonably possible changes as at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligations as stated below:

	Change in assumption	Increase in obligation	Decrease in obligation
	%	Rupees	Rupees
Discount rate	1%	11,741,119	12,181,895
Salary increase	1%	12,234,177	11,686,570

## 10.8 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2021 Rupees	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees
Present value of defined benefit obligations	11,956,214	8,924,032	10,182,278	10,182,278	10,604,785
Fair value of plan asset	-	-	-	-	-
Retirement benefits liability	<u>11,956,214</u>	<u>8,924,032</u>	<u>10,182,278</u>	<u>10,182,278</u>	<u>10,604,785</u>

## 10.9 The charge for the year has been allocated as follows:

	Note	2021 Rupees	2020 Rupees
Cost of sales	23	4,661,856	4,071,579
Distribution costs	24	108,415	94,688
Administrative expenses	25	650,492	568,127
		<u>5,420,763</u>	<u>4,734,394</u>

## Note 11

## Deferred Tax Liability

	2021 Rupees	2020 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
- Accelerated tax depreciation on property, plant and equipment	15,403,639	11,452,699
- Surplus on revaluation of property, plant and equipment	59,508,941	66,344,371
	<u>74,912,580</u>	<u>77,797,070</u>
Deferred tax asset on deductible temporary differences arising in respect of:		
- Unused tax losses	-	283,551
- Provision for Workers' (profit) participation fund	(6,469,239)	(4,713,356)
- Provision for Workers' welfare fund	(1,057,584)	(545,290)
- Post employment benefits and others	(3,467,302)	(2,587,969)
	<u>(10,994,125)</u>	<u>(7,563,064)</u>
	<u>63,918,455</u>	<u>70,234,006</u>
11.1 Reconciliation of deferred tax liabilities / (assets) - Net		
	2021 Rupees	2020 Rupees
Opening balance	70,234,006	59,882,229
Charged to other comprehensive income	(941,032)	770,266
Charged to the profit or loss	(5,374,519)	9,581,511
Closing balance	<u>63,918,455</u>	<u>70,234,006</u>

## 11.2 Deferred tax assets / liabilities on temporary differences are measured at tax rate of 29%.



Note 12

Trade and Other Payables

	Note	2021 Rupees	2020 Rupees
Trade creditors - raw materials and others	12.1	23,702,451	51,014,312
Accrued liabilities		60,965,588	39,226,905
Government dues	12.2	8,551,620	10,429,243
Contract liabilities		4,933,165	3,924,329
Workers' (profit) participation fund	12.3	22,307,722	16,252,952
Workers' welfare fund	12.4	3,646,842	1,880,309
Income tax withheld		988,435	1,215,897
Sales tax payable		4,517,353	10,488,406
		<u>129,613,176</u>	<u>134,432,353</u>

12.1 This does not include any amount payable to related party of the Company.

12.2 This represents the amount payable to Sui Northern Gas Pipelines Limited (SNGPL) on levy of Gas Infrastructure and Development Cess (GIDC). Further amounts payable under this head beyond 12 months period, have been shown in non current liabilities.

12.3 Workers' (profit) participation fund

	Note	2021 Rupees	2020 Rupees
Opening balance		16,252,952	14,807,719
Provision for the year	27	4,437,601	-
Interest on workers' (profit) participation fund		1,617,169	1,445,233
		<u>22,307,722</u>	<u>16,252,952</u>
Paid during the year		-	-
Closing Balance		<u>22,307,722</u>	<u>16,252,952</u>

12.4 Workers' welfare fund

	Note	2021 Rupees	2020 Rupees
Balance at the beginning of the year		1,880,309	2,101,727
Expense recognised during the year	27	1,962,284	1,349,975
		<u>3,842,593</u>	<u>3,451,702</u>
Payments made during the year		(195,751)	(1,571,393)
		<u>3,646,842</u>	<u>1,880,309</u>





## Note 13

## Provision for Taxation

	2021 Rupees	2020 Rupees
Opening balance	13,826,623	11,204,768
Provision for current year	26,574,478	13,826,623
Prior period adjustment	(7,875)	(198,068)
	40,393,226	24,833,323
Payments / adjustments during the year	(13,968,748)	(11,006,700)
	<u>26,424,478</u>	<u>13,826,623</u>

13.1 Income tax assessments are deemed finalized up to the Tax Year 2020 as returns were filed under self assessment scheme.

13.2 The provision for current year tax represents corporate tax at rate of 29%. (2020: minimum tax on revenue @ 1.5%)

## Note 14

## Contingencies and Commitments

## Contingencies

14.1 The income tax department has created demands of Rs. 1,022,150/- Rs. 598,652/- and Rs. 596,115/- in respect of tax years 2014, 2015 and 2016, respectively by virtue of amendment of assessment u/s 122(5A) of the Income Tax Ordinance, 2001. The Company has contested these tax demands and has preferred appeal on February 20, 2020 with Commissioner of Inland Revenue (Appeals). The management believes that there are favourable chances of success in the appeal process.

The income tax department has created demand of Rs. 941,492/- in respect of tax year 2012 through an order passed under section 205 of the Income Tax Ordinance, 2001. The Company has contested this demand and has appeal with ATIR. The management believes that there are favourable chances of success in the appeal process.

## Commitments

14.2 There are no material commitments outstanding as at the reporting date (2020: Nil).



Note 15  
Property, Plant and Equipment

Year Ended June 30, 2021

Particulars	Cost / Revalued Amount						Depreciation				Written Down Value as at June 30, 2021	
	As at July 01, 2020	Additions	(Disposals)	Revaluation adjustment	Revaluation Surplus / (Impairment)	Total as at June 30, 2021	Rate	As at July 01, 2020	For the year	Revaluation adjustment		Total as at June 30, 2021
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees		Rupees
Land - freehold	343,850,000	-	-	-	-	343,850,000	-	-	-	-	-	343,850,000
Factory building on freehold land	126,445,000	1,160,630	-	-	-	127,605,630	10	12,644,500	11,389,722	-	24,034,222	103,571,408
Plant and machinery	215,236,332	55,446,700	(3,500,000)	-	-	267,183,032	10	21,744,658	21,196,440	(638,750)	42,302,348	224,880,684
Power plant	24,222,841	-	-	-	-	24,222,841	12.5	2,970,573	2,656,534	-	5,627,107	18,595,734
Solar panel	-	10,221,921	-	-	-	10,221,921	10	-	127,819	-	127,819	10,094,102
Electric fittings, equipment and appliances	13,038,680	907,505	-	-	-	13,946,185	10	1,303,601	1,227,972	-	2,531,573	11,414,612
Furniture and fixtures	7,460,242	122,600	-	-	-	7,582,842	10	7,211,767	35,425	-	7,247,192	335,650
Vehicles	8,069,678	2,112,480	(1,064,000)	-	-	9,118,158	20	5,990,688	617,845	(718,980)	5,889,553	3,228,605
Leasehold improvement	1,904,874	-	-	-	-	1,904,874	25	238,109	416,691	-	654,800	1,250,074
Library books	11,856	-	-	-	-	11,856	10	11,856	-	-	11,856	-
Total Rupees	740,239,503	69,971,836	(4,564,000)	-	-	805,647,339	-	52,115,752	37,668,448	(1,357,730)	88,426,470	717,220,869

Year Ended June 30, 2020

Particulars	Cost / Revalued Amount						Depreciation						Written Down Value as at June 30, 2020
	As at July 01, 2019	Additions	(Disposals)	Revaluation adjustment	Revaluation Surplus	Total as at June 30, 2020	Rate	As at July 01, 2019	For the year	Revaluation adjustment	Total as at June 30, 2020		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees		
Land - freehold	343,850,000	-	-	-	-	343,850,000		-	-	-	-	343,850,000	
Factory building on freehold land	126,445,000	-	-	-	-	126,445,000	10	-	12,644,500	-	12,644,500	113,800,500	
Plant and machinery	199,437,000	15,799,332	-	-	-	215,236,332	10	1,385,048	20,359,610	-	21,744,658	193,491,674	
Power plant	13,550,000	10,672,841	-	-	-	24,222,841	12.5	387,582	2,582,991	-	2,970,573	21,252,268	
Electric fittings, equipment and appliances	13,010,000	28,680	-	-	-	13,038,680	10	-	1,303,601	-	1,303,601	11,735,079	
Furniture and fixtures	7,384,242	76,000	-	-	-	7,460,242	10	7,184,592	27,175	-	7,211,767	248,475	
Vehicles	8,069,678	-	-	-	-	8,069,678	20	5,470,941	519,747	-	5,990,688	2,078,990	
Leasehold improvement	-	1,904,874	-	-	-	1,904,874	25	-	238,109	-	238,109	1,666,765	
Library books	11,856	-	-	-	-	11,856	10	11,856	-	-	11,856	-	
Total Rupees	711,757,776	28,481,727	-	-	-	740,239,503		14,440,019	37,675,733	-	52,115,752	688,123,751	



Note 15, Property, Plant and Equipment - Contd...

- 15.1 Latest revaluation of property, plant and equipment was carried out by an independent valuer (refer to note 8) as on June 30, 2019. Had there been no revaluation, the net book values of revalued assets would have been as under:

As on June 30, 2021		
	Net book value	Forced sales value
	Rupees	Rupees
Land	16,298	275,080,000
Factory building	4,286,204	101,156,000
Plant and machinery	113,097,176	159,550,000
Power plant	18,595,734	10,840,000
Electric fittings, equipment and appliances	2,057,225	10,408,000
	158,052,637	557,034,000

- 15.2 Depreciation charge for the year has been allocated as under:

	Note	2021 Rupees	2020 Rupees
Cost of sales	23	37,015,178	26,808,040
Administrative expenses	25	653,270	2,318,317
		37,668,448	29,126,357

- 15.3 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location / Address	Usage of immovable property	Total Area (Kanals)
Rehman Shaheed Road, Industrial Area, G.T Road, Gujrat.	Production and warehouse	52.9

- 15.4 The significant inputs used in the fair value measurements categorized within Level 1, Level 2 and Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at June 30, 2021 are as shown below:

Description	Valuation Technique	Significant Observable Inputs	Fair value Hierarchy	Quantitative Data / Range (weighted average)
Land	Sales value comparison approach	Market enquiries and survey as per kanal/marla for land	Level 1	NIL
Factory building		Market survey	Level 2	
Plant and machinery		Market value of machinery considering condition, manufacturing date, country of manufacturing and replacement value	Level 2	
Power plant		Market and replacement value	Level 2	
Electric fittings, equipment and appliances			Level 2	

There are no movements between these levels during the year.



Note 16  
Long Term Deposits

	2021	2020
	Rupees	Rupees
Sui Northern Gas Pipelines Limited	13,377,023	12,561,023
WAPDA	2,920,000	2,920,000
	<u>16,297,023</u>	<u>15,481,023</u>

Note 17  
Stores and Spares

	2021	2020
	Rupees	Rupees
Stores and spares	3,423,574	2,945,323
Packing materials	1,419,775	1,137,424
	<u>4,843,349</u>	<u>4,082,747</u>

Note 18  
Stock in Trade

	2021	2020
	Rupees	Rupees
Raw materials	41,630,449	48,102,603
Work in process	8,438,854	7,029,397
Finished goods	3,072,945	2,553,015
Waste	798,815	854,701
	<u>53,941,063</u>	<u>58,539,716</u>
Write-down of raw materials to net realizable value	-	-
	<u>53,941,063</u>	<u>58,539,716</u>

Note 19  
Trade Debts

	2021	2020
	Rupees	Rupees
Local debts (Unsecured - considered good)	<u>1,944,041</u>	<u>1,269,870</u>

19.1 Trade debtors does not include any amount receivable from related party of the Company (2020: Nil).

Note 20  
Advance and Prepayments

		2021	2020
	Note	Rupees	Rupees
Advances to employees (Unsecured - considered good)	20.1	1,047,866	650,592
Advance to supplier		6,560,000	-
Income tax deducted at source / advance tax		16,750,779	11,614,516
Prepayments		356,724	570,477
		<u>24,715,369</u>	<u>12,835,585</u>

20.1 This amount do not include any amount due from the executives of the Company (2020 Nil).



Note 21

Cash and Bank Balances

	2021	2020
	Rupees	Rupees
Cash in hand	538,617	533,066
Cash at banks in current accounts	47,400,585	47,711,205
	<u>47,939,202</u>	<u>48,244,271</u>

21.1 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows.

Note 22

Revenue

	2021	2020
	Rupees	Rupees
Local:		
- Yarn	1,438,599,249	1,071,145,593
- Wastes	7,493,275	6,337,167
	<u>1,446,092,524</u>	<u>1,077,482,760</u>
Less: Sales tax	(216,083,000)	(156,232,891)
	<u>1,230,009,524</u>	<u>921,249,869</u>

22.1 All the revenue is recognised at a point in time.

Note 23

Cost of Sales

	Note	2021	2020
		Rupees	Rupees
Raw materials consumed		737,851,673	579,628,605
Stores and spares consumed		15,308,027	12,679,864
Packing materials consumed		12,323,390	10,477,219
Fuel and power		134,942,518	121,352,135
Salaries and wages	23.1	155,862,687	96,438,837
Insurance		1,289,893	983,808
Repairs and maintenance		7,043,896	5,783,085
Depreciation	15.2	37,015,178	37,128,811
		<u>1,101,637,262</u>	<u>864,472,364</u>
Work in process:			
- Opening		7,029,397	6,684,259
- Closing		(8,438,854)	(7,029,397)
		<u>(1,409,457)</u>	<u>(345,138)</u>
		<u>1,100,227,805</u>	<u>864,127,226</u>
Finished goods including waste:			
- Opening		3,407,716	1,384,499
- Closing		(3,871,760)	(3,407,716)
		<u>(464,044)</u>	<u>(2,023,217)</u>
		<u>1,099,763,761</u>	<u>862,104,009</u>

23.1 This includes Rs. 4.662 million (2020: Rs. 4.071 million) in respect of post employment benefits.



Note 24  
Distribution Cost

	Note	2021 Rupees	2020 Rupees
Salaries and benefits	24.1	1,173,415	974,688
Commission		7,202,334	5,387,726
		<u>8,375,749</u>	<u>6,362,414</u>

24.1 This includes Rs. 0.108 million (2020: Rs. 0.095 million) in respect of post employment benefits.

Note 25  
Administrative Expenses

	Note	2021 Rupees	2020 Rupees
Salaries and benefits	25.1	22,475,326	18,314,644
Utilities		581,740	611,934
Printing and stationery		584,785	380,437
Communication		843,314	766,384
Travelling and conveyance		834,100	799,633
Repairs and maintenance		783,855	323,645
Rent, rates and taxes		811,158	837,060
Vehicle running and maintenance		1,201,099	964,834
Fees and subscription		612,500	78,000
Legal and professional charges		2,349,701	1,908,644
Entertainment		1,571,501	1,216,617
Advertisement		237,192	25,000
Newspapers and periodicals		67,062	62,907
Donations and employees welfare	25.2	865,900	1,964,181
Gardening expenses		88,240	17,240
Miscellaneous		87,269	31,192
Depreciation	15.2	653,270	546,922
		<u>34,648,012</u>	<u>28,849,274</u>

25.1 This includes Rs. 0.6504 million (2020: Rs. 0.568 million) in respect of post employment benefits obligations.

25.2 This includes the amount of Rs. 520,000 paid to Gujranwala Welfare Clinic, in which the director of the company is trustee.

Note 26  
Finance Cost

	Note	2021 Rupees	2020 Rupees
Markup on long term financing		3,272,546	6,066,938
Interest on workers' (profit) participation fund	12.3	1,617,169	1,445,233
Bank charges		120,465	87,718
		<u>5,010,180</u>	<u>7,599,889</u>



Note 27

Other Operating Expenses

	Note	2021 Rupees	2020 Rupees
Auditors' remuneration:			
- Statutory audit fee		775,000	625,000
- Other attestation services		225,000	175,000
		1,000,000	800,000
Provision for workers' (profit) participation fund	12.3	4,437,601	-
Provision for workers' welfare fund	12.4	1,962,284	415,373
Advances written off		-	66,428
Government dues	27.1	-	22,754,717
Loss on sale of property, plant and equipment		761,250	-
Fines and penalties		-	934,602
		8,161,135	24,971,120

27.1 This represents the amount payable to Sui Northern Gas Pipelines limited (SNGPL) on levy of Gas Infrastructure and Development Cess (GIDC).

Note 28

Income Tax Expense

	2021 Rupees	2020 Rupees
Current:		
- Charge for the year	26,574,478	13,826,623
- Prior period adjustments	(7,875)	(198,068)
	26,566,603	13,628,555
Deferred tax	(5,374,519)	9,581,511
	21,192,084	23,210,066
28.1 Reconciliation of tax charge for the year:		
Profit / (loss) before taxation	80,734,974	(1,832,400)
Tax @ 29% on profit before taxation	23,413,142	(531,396)
Prior year tax charge	(7,875)	(198,068)
Other adjustments	3,161,336	14,358,019
Deferred taxation	(5,374,519)	9,581,511
	21,192,084	23,210,066

Note 29

Earnings per Share - Basic and Diluted

		2021	2020
Net profit / (loss) for the year attributable to ordinary shareholders	Rupees	59,542,890	(25,042,466)
Weighted average number of ordinary shares	Number	6,005,560	4,449,159
Weighted average number of dilutive shares	Number	6,005,560	19,449,159
Earnings / (loss) per share - Basic	Rupees	9.91	(5.63)
Earnings/ (loss) per share - Diluted	Rupees	9.91	(1.29)

29.1 To calculate the diluted earnings per share, the share deposit money has been considered as issued share capital.



Note 30

Liabilities arising from Financing Activities

	As at June 30, 2020	Non-cash changes	Cash flows (Net)	As at June 30, 2021
	Rupees			
Unpaid dividends	434,829	-	(70,417)	364,412
Long term financing - paid	38,270,130	37,939,104	(12,000,090)	64,209,144
	<u>38,704,959</u>	<u>37,939,104</u>	<u>(12,070,507)</u>	<u>64,573,556</u>
	As at June 30, 2019	Non-cash changes	Cash flows (Net)	As at June 30, 2020
	Rupees			
Unpaid dividends	-	4,449,159	(4,014,330)	434,829
Long term financing - paid	48,700,220	-	(10,430,090)	38,270,130
	<u>48,700,220</u>	<u>4,449,159</u>	<u>(14,444,420)</u>	<u>38,704,959</u>

Note 31

Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer	Executive Director	Non- Executive / Independent Directors	Executives	Chief Executive Officer	Executive Director	Non- Executive / Independent Directors	Executives
	2021				2020			
	Rupees				Rupees			
Managerial remuneration	4,800,000	4,200,000	-	8,556,000	3,360,000	2,856,000	-	7,061,000
House rent allowance	-	-	-	-	840,000	714,000	-	-
Medical allowance / reimbursement	-	397,000	-	-	-	310,712	-	-
	<u>4,800,000</u>	<u>4,597,000</u>	<u>-</u>	<u>8,556,000</u>	<u>4,200,000</u>	<u>3,880,712</u>	<u>-</u>	<u>7,061,000</u>
Number of persons	1	1	5	4	1	1	5	4

- 31.1 Apart from the above, the chief executive officer and executives are provided with Company maintained cars.
- 31.2 No meeting fee has been paid to any director of the Company.
- 31.3 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

Note 32

Transactions with Related Parties

Related parties comprise directors of the Company and their close relatives and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties and balances due to / from them are as under:





Transactions during the year			2021	2020
			Rupees	Rupees
Related party	Relationship	Nature of transaction		
Directors and close relatives thereof	Associated persons	Long term financing repaid to directors	(12,000,090)	(12,000,090)
		Markup on long term financing from directors	3,272,546	6,066,938
		Markup on long term financing repaid / adjusted	(5,449,809)	(5,553,294)
		Long term financing against share deposit money	37,939,104	-
		Ordinary shares issued at premium against share deposit money	112,060,896	-
Gujranwala Welfare Clinic	Common Directorship	Donation paid during the year	(520,000)	(420,000)
Balance outstanding as at June 30,				
Directors, executives and close relatives thereof		Long term financing	64,209,144	38,270,130
		Accrued markup on long term financing	5,546,056	5,985,685
		Share deposit money	-	150,000,000

32.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Sr No	Company Name/ Party Name	Basis or association	Aggregate % of Shareholding
1	Mr. Muhammad Hameed	CEO	17.49
2	Mr. Aamer Hameed	Director	16.65
3	Mr. Ijaz Hameed	Director	15.61
4	Ms. Uzma Hameed	Related Person	13.52
5	Mr. Tariq Hameed	Director	0.65

#### Note 33

##### Plant Capacity and Production

	2021	2020
	KGs	KGs
100% plant capacity converted into 20/S (2020: 20/S) count based on three shifts per day for 1080 shifts (2020: 1080 shifts)	7,036,705	6,437,086
Actual production for the year converted into 20/S (2020: 20/S)	6,732,478	5,443,699

Plant capacity is determined on the basis of management estimates as it is difficult to calculate precisely the production capacity of spinning unit. The production capacity fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist, maintenance of machinery, power shutdown and raw materials used, and the pattern of production adopted in any particular year.

The reason for low production is due to its demand and various factors such as interruption of power supply, sub-optimal working conditions like humidity and moisture, low quality of raw cotton, and wear and tear etc.



## Note 34 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

### 34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

#### Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding import and export payments. As there are no foreign currency receivables / payables of the Company, it is not exposed to currency risk (2020 :Rs Nil).

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates. The interest rate profile of the Company's interest-bearing financial instruments as at the reporting date is as follows:

	2021	2020
	----- Rupees -----	
Floating rate instruments		
Financial liabilities		
Long term financing	64,209,144	38,270,130

#### Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2021, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 0.642 million (2020: Rs. 0.383 million), mainly as a result of interest exposure on variable rate borrowings.

#### 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to any market price risk.



## Note 34, Financial Risk Management - Contd...

## 34.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk of the Company arises from deposits with banks, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2021, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

		2021	2020
	Note	----- Rupees -----	
Long term deposits	16	16,297,023	15,481,023
Trade debts	19	1,944,041	1,269,870
Bank balances	21	47,400,585	47,711,205

The aging of trade debts and related impairment loss as at the reporting date is as follows:

	2021	2020
	----- Rupees -----	
Past due 1 - 30 days	1,944,041	1,269,870
Past due 31 - 60 days	-	-
Past due 61 - 120 days	-	-
More than 120 days	-	-
	<u>1,944,041</u>	<u>1,269,870</u>

Customer credit risk is managed by each business unit subject to the Company's established policies, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Company does not hold collateral as security.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are operated in largely independent markets. The credit risk on liquid funds is limited because the counter parties are either banks (with reasonably high credit ratings) and trade receivables for which the exposure is spread over a large number of counter parties.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:



Note 34, Financial Risk Management - Contd...

	Rating		Rating Agency	2021	2020
	Short term	Long term		Rupees	Rupees
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,488	2,488
MCB Bank Limited	A1+	AAA	PACRA	12,198,005	14,107,700
Bank Alfalah Limited	A1+	AA+	PACRA	1,124,250	12,792,676
JS Bank Limited	A1+	AA-	PACRA	640	1,393,497
Meezan Bank	A-1+	AAA	JCR-VIS	33,096,496	19,414,844
Faysal Bank Limited	A-1+	AA	JCR-VIS	974,802	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,904	-
				<u>47,400,585</u>	<u>47,711,205</u>

### 34.3 Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual maturities of financial liabilities as at June 30, 2021:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	5 - 10 years
Rupees in '000.....						

Contractual maturities of financial liabilities as at June 30, 2021:

Long term financing	64,209	109,550	11,783	12,230	39,766	45,771
Trade and other payables	84,668	84,668	84,668	-	-	-
Accrued markup on long term financing	5,546	5,546	5,546	-	-	-
	<u>154,423</u>	<u>199,764</u>	<u>101,997</u>	<u>12,230</u>	<u>39,766</u>	<u>45,771</u>

Contractual maturities of financial liabilities as at June 30, 2020:

Long term financing	38,270	54,196	9,143	9,881	35,172	-
Trade and other payables	90,241	90,241	90,241	-	-	-
Accrued markup on long term financing	5,986	5,986	5,986	-	-	-
	<u>134,497</u>	<u>150,423</u>	<u>105,370</u>	<u>9,881</u>	<u>35,172</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.



## Note 34, Financial Risk Management - Contd...

## 34.4 Financial instruments by categories

Financial assets as at amortized cost

Trade debts

Cash and bank balances

Financial liabilities at amortized cost

Long term financing

Trade and other payable

Accrued markup on long term financing

2021	2020
Rupees	Rupees
1,944,041	1,269,870
47,939,202	48,244,271
49,883,243	49,514,141
64,209,144	38,270,130
84,668,039	90,241,217
5,546,056	5,985,685
154,423,239	134,497,032

## 34.5 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

## Note 35

## Capital Risk Management

The Company's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the Company's 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:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to 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, for example, adjust the amount of dividends paid to shareholders, issue new shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratio of the Company is calculated as follows:

Total borrowings  
Cash and bank balances  
Net debt  
Equity  
Total capital employed

Gearing ratio

2021	2020
Rupees	Rupees
64,209,144	38,270,130
(47,939,202)	(48,244,271)
16,269,942	(9,974,141)
563,210,724	543,910,844
579,480,666	533,936,703
2.81%	Nil



### Note 36 Segment Information

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker. The Chief Executive Officer (CEO) of the Company has been identified as the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

The CEO is responsible for the Company's entire product portfolio and considers business as a single operating segment. The Company's assets allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a basis consistent with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Company is domiciled in Pakistan. All of the Company's income is from the entities incorporated in Pakistan.

#### 36.1 Entity-wide disclosures regarding reportable segment are as follows:

##### - Information about major customers

One customer of the Company accounts for 20% (2020: 9.91%) of total sales for the year. Revenue from such customer is Rs. 245,756,539 (2020: Rs. 106,730,633).

##### - Information about geographical areas

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

##### - Information about product

- The major products of the company are Cotton Yarn 42/single and 32/single.

### Note 37 Number of Employees

	2021	2020
	Number	Number
Total number of employees as at June 30,		
- Permanent	255	300
- Contractual	74	7
Average number of employees during the year		
- Permanent	278	324
- Contractual	41	7

### Note 38 Subsequent Events

The Board of Directors at its meeting held on October 06, 2021 has proposed a final dividend @ Rs.1 per share for the year ended June 30, 2021 (2020: Rs. Nil) amounting to Rs. 13,787,567 (2020: Rs. Nil) for approval of the members at the Annual General Meeting to be held on October 28, 2021. These financial statements do not reflect this dividend.



Note 39

Date of Authorization for Issue

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These financial statements were approved and authorized for issuance by the Board of Directors of the Company on October 06, 2021.

Note 40

General

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Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been made in these financial statements for better presentation.

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

M. Muddasar Shahzad  
Chief Financial Officer



THE COMPANIES ACT, 2017  
(Section 227 (2) (f))  
PATTERN OF SHAREHOLDING

FORM 34

1.1 Name of the Company Service Industries Textiles Limited

2.1. Pattern of holding of the shares held by the shareholders as at

30-06-2021

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
536	1	100	13,539
446	101	500	105,891
93	501	1,000	71,846
107	1,001	5,000	253,446
31	5,001	10,000	238,950
8	10,001	15,000	95,590
8	15,001	20,000	151,800
5	20,001	25,000	110,021
2	25,001	30,000	55,900
2	30,001	35,000	67,000
3	35,001	40,000	114,720
7	45,001	50,000	341,980
2	50,001	55,000	102,060
2	60,001	65,000	130,000
1	65,001	70,000	67,000
1	80,001	85,000	84,603
3	85,001	90,000	269,239
1	95,001	100,000	97,500
1	100,001	105,000	101,601
1	115,001	120,000	118,946
2	120,001	125,000	245,183
1	140,001	145,000	141,601
2	160,001	165,000	325,603
1	195,001	200,000	199,420
1	225,001	230,000	225,701
1	270,001	275,000	270,833
1	285,001	290,000	288,316
1	430,001	435,000	431,703
1	1,150,001	1,155,000	1,155,000
3	1,860,001	1,865,000	5,590,908
1	2,320,001	2,325,000	2,321,667
1,275			13,787,567

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	8,821,566	63.9820%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	281,854	2.0443%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	74,154	0.5378%
2.3.5 Insurance Companies	299,920	2.1753%
2.3.6 Modarabas and Mutual Funds	7,900	0.0573%
2.3.7 Share holders holding 10% or more	8,722,307	63.2621%
2.3.8 General Public		
a. Local	4,242,891	30.7733%
b. Foreign	0	0.0000%
2.3.9 Other (to be specified)		
- Joint Stock Companies	52,506	0.3808%
- Others	6,776	0.0491%





Categories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2021

		No. of Shares	
Sr. No.	Name	Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. AAMER HAMEED	2,295,339	16.6479%
2	MR. IJAZ HAMEED	2,151,952	15.6079%
3	MR. MOHAMMAD HAMEED	2,411,380	17.4895%
4	MR. TARIQ HAMEED	89,713	0.6507%
5	MR. MURTAZA HAMEED	225,701	1.6370%
6	MR. OMAR MOHY-UD-DIN MALIK	500	0.0036%
7	MRS. ZAINAB KHAN	500	0.0036%
8	MRS. ROBINA IJAZ W/O IJAZ HAMEED	393,981	2.8575%
9	MRS. SAIMA HAMEED W/O AAMER HAMEED	1,252,500	9.0843%

Executives: - -

Public Sector Companies & Corporations: - -

Banks, Development Finance Institutions, Non Banking Finance 381,974 2.7704%

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1	MR. MOHAMMAD HAMEED (CDC)	2,411,380	17.4895%
2	MR. AAMER HAMEED (CDC)	2,295,339	16.6479%
3	MR. IJAZ HAMEED (CDC)	2,151,952	15.6079%
4	MST. UZMA HAMEED (CDC)	1,863,636	13.5168%
5	MRS. SAIMA HAMEED W/O AAMER HAMEED (CDC)	1,252,500	9.0843%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
1	MR. AAMER HAMEED (CDC)	-	1,863,636
2	MR. IJAZ HAMEED (CDC)	-	1,863,636
3	MR. MOHAMMAD HAMEED (CDC)	-	2,321,667
4	MST. UZMA HAMEED (CDC)	-	1,863,636
5	MRS. ROBINA IJAZ W/O IJAZ HAMEED (CDC)	-	270,833
6	MRS. SAIMA HAMEED W/O AAMER HAMEED (CDC)	-	1,155,000



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SERVICE INDUSTRIES TEXTILES LIMITED

FORM OF PROXY

Please quote Folio Number

I / We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of SERVICE INDUSTRIES TEXTILES LIMITED hereby appoint  
Mr. \_\_\_\_\_  
of \_\_\_\_\_  
another member of the Company or failing him  
Mr. \_\_\_\_\_  
of \_\_\_\_\_

another member of the Company as my proxy to attend, act and vote for me and on my behalf at the Annual General Meeting of the Company to be held on Wednesday October 28, 2021 at 09:30 a.m at the Registered Office, 38-Empress Road, Lahore, and at any adjournment thereof.

Signature  
on  
Five Rupees  
Revenue  
Stamp

(Signatures should agree with the specimen signatures registered with the Company).

Witness \_\_\_\_\_

Date \_\_\_\_\_

NOTE:-

The proxy must be signed across a Five Rupees Revenue Stamp and it should be deposited in the Office of the Company not later than 48 hours before the time of holding the meeting.



## پراکسی فارم (مختارنامہ)

رجسٹر فو لیونمبر

سیکرٹری

### سروس انڈسٹریز ٹیکسٹائلز لمیٹڈ

38-ایمپرس روڈ، لاہور

میں اہم

ساکن

بیشیت رکن حامل

عام حصص بمطابق شیئر رجسٹر فو لیونمبر \_\_\_\_\_ پارٹیشنڈ (شرکت) آئی ڈی نمبر \_\_\_\_\_ (بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_)

بذریعہ ہذا

محترم / محترمہ

ساکن

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فو لیونمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیشنڈ (شرکت) آئی ڈی نمبر \_\_\_\_\_)

یا اسکی غیر موجودگی میں محترم / محترمہ \_\_\_\_\_ ساکن \_\_\_\_\_

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فو لیونمبر \_\_\_\_\_

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر \_\_\_\_\_ پارٹیشنڈ (شرکت) آئی ڈی نمبر \_\_\_\_\_) کو

مورخہ 28 اکتوبر 2021ء کو منعقد ہونے والے کمپنی کے 60 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا اہارا بطور مختار (پراکسی) مقرر

کرتا ہوں / کرتے ہیں۔

5 روپے کارسیدی ٹکٹ

چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

دستخط \_\_\_\_\_ آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ ء

#### نوٹ:

1- اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور اسل کردے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہیے۔

2- سی ڈی سی کے ذریعے حصص یافتگان پراکسیز تقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔

3- سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمعہ اپنے نیکرز سے اسکی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیشنڈ آئی ڈی نمبر ہمراہ لائیں۔

4- کارپوریٹ ایسٹبلشمنٹ کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختارنامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختارنامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔